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PART I—MAKING GOOD AT THE MANAGER'S DESK

My Measure of Success

THE architect and executive who design and direct and yet strive to do the bricklaying, will advance not far and will quickly wear out.

One who has the faculty for right selection of responsible subordinates need also that wise sense of justice and appreciation which accords unstinted scope of action and generous recognition of results.

The proverbial reluctance to allow those to enter the water whom we would have swim has given short measure to many a success.

A good executive finds, develops and leans upon those who can carry forward for him the increasing divisions of his single great work.

In all work, as in all knowledge, there is unlimited room for expansion and advancement. The business pyramid will find no circumscribing dome above which it cannot lift its capstone.

Therefore, granted breadth of field and the leader's personal equation, the degree and height of business mastery and success will accord absolutely with the number and efficiency of the supporting body of workers.

And the executive will have the deserved praise and reward of one whose admirable work has been to lead, to develop, to render productive; to add to the commonwealth of brain and things and character.

A handwritten signature in dark ink, reading "John H. Adams". The signature is written in a cursive, flowing style with a large initial "J".



JOHN WANAMAKER

President, The Wanamaker Stores

I

THE HARDEST QUESTION IN BUSINESS

By Carroll D. Murphy

THAT'S the hardest question in business," exclaimed one of the half-dozen managers of distinguished enterprises recently asked to list the vital factors of control in an organization—to take apart the enterprises they have brought to success, and point out the ideas, policies, methods and results which seem to them so important that the chief himself should have them under his eye and hand.

Varied as were their replies—personal, keen, widely different in approach to the problem—yet throughout runs this central thread of management: that detail must be organized and everyday results made automatic; that the executive must keep proper perspective; that a manager's work is not to shoulder many little tasks, but to develop men and systems for present routine, and thus reserve his energies for the greater plans, decisions and initiatives on which the future is to be built.

"The measure of a manager's value," said Clarence Funk, "is his ability to put men in charge of his various departments who are stronger men in their lines than is he." "I expect to put in half of each day at the office after I am dead," Cyrus K. Curtis once said, humorously hinting at the organization of men and detail by which he gets things done present or absent. "The im-

portant thing," another skilful manager often says, in explaining his ability to extend his oversight throughout a great business, "is to distinguish significant from trivial detail." "I won't let detail get to me on any terms," replied J. S. Kendall in explaining how he sifted the important from the negligible. "The immediate loss from a small blunder is insignificant and I pay certain employees to analyze the day's work of the concern so that I can stop cumulative losses."

William A. Field's answer makes the same point, but in the nature of a warning to employees who aspire to managerial places. "Young men," said he, "try to handle too much detail and are crushed beneath their load." From his own experience, Edward B. Butler carried further the same hint to manager and men: "It is hard to get a man to let go of detail—to grow up into control—to think for his subordinates who do not think."

In his management John G. Shedd would subordinate personal initiative to nothing else. "Energetic originators in merchandising," said he, "may be stifled by surrounding them too thickly with figures and regulations. . . . Going beyond a reasonable limit with statistics may kill the Napoleons of business." The strength which this composite initiative—the enthusiasms and energies of manager and men working together—gives to a business was neatly brought out by W. E. Clow: "I hire men to make me hump."

MONEY, *men and service are the tools of the executive*
—varying degrees in which they are brought into
play in the five different types of management.

The great essentials of a good manager are brilliantly summarized by two other men in control of great enterprises. "I want executives," E. A. Filene often says,

“who can think straight, handle men and buy money well.” “Successful men,” E. P. Ripley has said, “have always known how to organize, supervise and deputize.”

The battle with detail and the problem of shaping men to your work—freedom from routine and sure contact

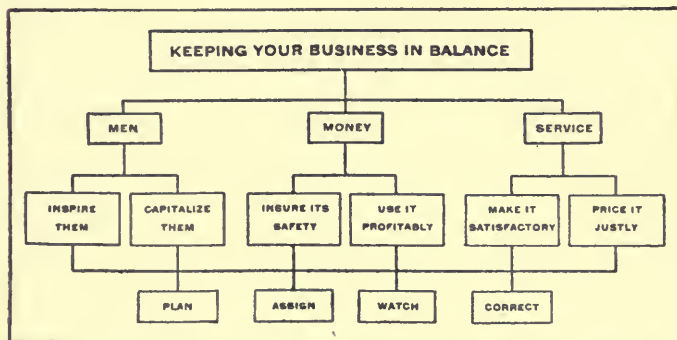


FIGURE 1: The executive who keeps his organization properly balanced takes into consideration men, money and service, and exercises the four functions of planning tasks, assigning duties, watching results and correcting mistakes

with essentials—getting today’s business done and planning a secure, progressive future—are suggested by all these executives as the essential aims and the true viewpoint of the manager. Closer study of the lines along which the ambitious employee, the personal proprietor and the corporation executive must work shows that the three great business mechanisms which the manager must control are *men, money and service*. According as different concerns emphasize one or another of these factors in their schemes of management, policies of executive control may be roughly divided under five headings:

(1) *Detail Management*. Most managers are driving themselves to their physical limit in the handling of the

details of service, employment and especially finances. Some executives have been literally crowded out of this position by the growth of the business and have taken a stand at some point along the current of trade, where by watching every order, every credit, every contract or expense item, they can fairly judge and control the business.

(2) *Money Management.* Many proprietors and directorates guide their businesses entirely by ledger statements and throw upon subordinates hired to round out their ability all other matters relating to the conduct of the enterprise. In one case a directorate which is managing a business entirely as a matter of investments and profits has never seen the chain of stores from which its dividends come. A detail manager pledged to enthusiasm by a generous salary has authority over everything except financial policies. The disadvantages of this plan are that there is no proprietary control of the methods used in dealing with the trade, nor of the spirit among the men; the business runs at high speed but roughly, with much jarring; and the management has too little real knowledge of conditions to forecast the future most effectively.

(3) *Leadership Management.* Encouragement and the rousing of enthusiasm among employees is the contribution this type of manager makes to his business. His is an enterprise that requires extraordinary initiative; his men have to be keyed up to the fighting spirit—they need the “flaming torch” to lead them. Systematized routine is, therefore, left to handle problems where a solution has been found and a precedent established. The management devotes itself to “breaking trail” in every new and difficult path of the enterprise.

(4) *Guiding Management.* Some managers and di-

rectorates put their entire organization as a tool in the hands of their most brilliant executives, advising and aiding them to carry out for the profit of the concern whatever inspirations promise best or to exercise the particular genius of each. This is the type of business where the manager occupies a broad field and insists only on dividends rather than confining his business to a definite product or service. This policy is especially the recourse of a concern which has outgrown one line—the big business viewpoint, where the manager has perhaps realized his visions and depends on the inspirations of his men for further expansion.

(5) *Balanced Management.* Rockefeller's success is credited to the poise which he has always maintained in his corporation. In a business so balanced, neither men, money nor service has undue emphasis; no one department or method is allowed to excel or overtop others, but every part constantly learns from other lines; constantly is kept up to the mark and in proportion with all others. This type of management combines the last two and rounds out the incompleteness of all; the manager is not only a constant inspiration to all departments, but makes full use of whatever inspiration he can draw from his subordinates. He realizes the necessity of neglecting no present essential—neither men, investment nor service—and has so organized his method of securing reports, making brief studies in his various departments and arousing a partnership spirit among his men that he is free to dream ahead and plan a greater future for the enterprise.

Most men fall short of managerial success because they are one-sided. All of us have seen the proprietor who allows himself to be flattered on his weak points, equips himself with subordinates who duplicate rather

than round out his abilities, and dodges haphazard through each day's detail with no distinct scheme of management.

The problem of breaking away from this condition has been solved in a suggestive way by the manager of a real estate business that last year sold more than four million dollars' worth of property. This executive recently sat with a wholesaler in the latter's private office. Ten times within a half hour their talk was disturbed by salesmen coming in for O. K's on routine credits.

"You cleared a quarter of a million this last twelve months, didn't you?" the real estate man asked his friend. "Why not take six, eight, ten thousand dollars and hire an assistant who can sweep this detail off your desk and let you get at the bigger questions of your business?"

"What subordinates will handle your task—what insurance have you made for the care of your family's property—when you can no longer do this pell mell day's work? One-third of your time, if you will figure up your own labor costs day by day, is spent as nothing but a routine credit manager."

"But I can't find the men," protested the wholesaler.

"You don't know your men," was the answer. "One of them I think so well of that I have been figuring with him on a similar position in my company."

A week later the wholesaler spent a half hour in the office of the real estate chief. The latter closed the door, sat down at his desk, reached under the edge of it and touched a buzzer once. "That means," said he, "that I am busy and do not wish to be interrupted. I pay my secretary one hundred and twenty-five dollars to know that now she is to take the numbers of any telephone calls for me, to round up any matters I need to

go over yet this evening and to get to me if something of prime importance turns up.

"Five years ago," he went on, "I was at this desk until eleven o'clock every night, going over contracts and ledgers. My business dropped off because my selling force had no head. Then I stopped—took the time to analyze my business and find what went into my job as manager."

This actual occurrence throws into sharp contrast what I have called detail and balanced management. Hundreds of such illustrations are at hand even among million dollar concerns. Routine-burdened proprietors insist upon O. K'ing every item which touches expenses or a contract; and thus take away the initiative of their men, interfere without full knowledge in departmental work and neglect to grasp the loose reins of company spirit, present service and future progress which lead up to their desks.

One executive has arranged that no contractual letter is valid without his pencil mark in the corner. Another has a hobby of picking up ideas among other plants, which he so forces upon his department heads that they "make believe" to use them even when valueless. A third executive who is strong as a salesman is constantly interfering on the artistic side in the making of his product, although his judgment on art is a joke.

DETAIL *knowledge of a business is essential for the manager, but too much attention to routine will make him inefficient—methods of money management.*

Study of the work of high executives indicates that they need a background of detail experience and that in emergencies they may have to handle the work of a department, but that they study themselves as frankly

as their employees and use their resources to hire men who shall round out their own abilities. Skilled lawyers are constantly at the service of department heads in order to guard contracts; and technical men in a dozen different lines are kept available by various managers who recognize, as Funk has said, that their greatest value is in securing and coordinating expert service.

Money management is an extreme of this type. There is in New York a body of men whose ability to manage money is drawing dividends from a score of middle western stores into which none of them has ever stepped. Of buying, of working with men, of planning for expansion and choosing "good towns" for additional branches, they know nothing. This ability they have bought in the persons of a trusty auditor and an experienced superintendent. They have limited the business to a cash basis, held down administrative problems to a minimum and are enabled to control successfully merely by holding the strings of local and total reports, capital and surplus, purchases, sales and expense, profits and dividends. By comparative and graphic financial reports, they are shaping the future of a business in which *capital* is the big factor. Their method has been to reduce men and service to their lowest terms and shrewdly to pick out the essentials in the control of funds.

INSPIRING men to their best efforts is the method of one type of executive—guiding them in the field which he knows best is the method of another.

An entirely different spirit is behind the policy of the manager who heads and inspires his men. He may have the other factors, finance, service, future plans, well in hand, but his biggest duty, as he sees it, is to lead

his men—to teach them that he asks them to go nowhere except where he will go first. He has worked out a course which his enterprise is to take, and in order to keep close to it, he goes first. Usually such a leader comes up from the selling side—a Chalmers, a Cottingham. He suits the enterprise where production is automatic or routine; where financing has been solved; where the packages that stream out to the shipping platform crowd the salesmen in their efforts. When, however, a mere field leader happens in control of an intricate producing machine, his instinct for fast work, attractive selling points, and competition among men may lead to an emphasis on appearance rather than quality and on the impossible promises of delivery which mark the business that is out of balance.

The manager who guides instead of leading and furnishing inspiration for his enterprise is making the best of a temperament judicial rather than executive. He hires department heads who are full of ideas but perhaps lack the ability to separate the good from the bad business propositions. His men furnish many ideas and inspirations; he guides their ambitions, challenges the visionary enterprise and backs his workers in carrying out their plans.

At his best, he attracts to himself partners or subordinates who so round out one another's powers as to make for extraordinary efficiency.

The directorate of a great railroad is said invariably to follow this method in filling the president's chair. Periodically the effectiveness of the system in all departments is discussed. The most recent executive has come up through the engineering or operating or selling department and in line with his natural bias, has brought that function to extraordinary efficiency. Striking a

level throughout the corporation, another department far from his experience shows at low ebb. If an executive can be found with the qualities of a manager and with experience in this weak department, he is elected to the presidency, and the business is thus made continually to race with itself.

In a similar way, it is possible for you as a proprietor, as an executive expectant of advancement or as a member of a governing board, to test your perspective upon the men, the capital and the service under your control so that no possibility will be neglected.

A manager who, at twenty-nine, controls a half million dollar business of his own, hit upon the plan of telling the department head who broaches a suggestion: "You know I can't remember any of that. Better put it down on paper."

This is more than a way to minimize his detail work—it is a definite scheme of management in its first essential—to develop managerial ability among subordinates. Suggestions now come to him on paper, carefully worked out, with a plat of the location involved, and with the cost, upkeep, income, addresses and all details in order.

Every executive knows how difficult it is to get men to put cases before him briefly and yet so completely that he can make a clean-cut decision—so that he can manage rather than investigate and administer. This executive has learned to insist upon a statement that not only lengthens his own reach, but trains employees to recognize essentials and to push secondary control to the limits of their authority.

Further, he sends his department heads anywhere from Los Angeles to Boston upon hearing of any concern which is doing something better than his office has learned to do it. Every business has done some one

thing better than most others. This manager has learned to go prospecting by proxy and so get the gold of progress in many lines. His own ability is lifted upon the platform of all that his men learn, suggest and achieve.

MEN can be checked on and developed by giving them responsibilities—money may be controlled by reports that summarize facts briefly and accurately.

Seven out of the ten well known managers quoted have suggested the importance of developing initiative, mental power, enthusiasm and team spirit in the force. This is characteristic of the manager who realizes that neither detail nor policy can be realized except through subordinates. Scarcity of men—the time-worn excuse of overworked managers—often goes back to the chief's neglect of the men in his employ.

Detail gets power over business executives because (1) they can not separate the significant from the non-essential, or (2) they can not so organize as to get other than eye service.

“One of the hardest things for an executive to learn,” a sage business man has said, “is that while his men are developing, he may expect nothing to be done exactly as he would do it. He must permit mistakes to ‘go through’ if his men are to see where they have blundered.”

Another efficient manager has a creed something like this: “An office manager, a private secretary and an experienced lawyer checking over and summarizing the work of this concern prevent the making of any mistake so important as to endanger our business. For lesser mistakes I throw the responsibility on my men and, by my various reports, afterwards get at the blunders which

indicate dangerous tendencies and require that I train or correct my men." This system of reports brings out the relation of every employee to finances as regards sales, expenses and profit; to service, as regards all correspondence, but especially contracts and complaints; to new plans and opportunities, and to team spirit and office discipline.

What he calls his "mail analysis" will illustrate his method. His secretary goes through both the incoming and the outgoing mail every day and makes a four o'clock report to him somewhat as follows:

DAILY MAIL ANALYSIS

Incoming mail

80% routine

10 buyers make various complaints as to service rendered

Three misdirected letters returned

Terms offered on Harris contract

H. F. sends \$5,000 contract for signature.

On this report the chief checks any correspondence he wishes to see. Important outgoing mail is thus brought to his attention before being posted. Less important letters which are not tactfully written will result in complaints and thus be called up later, as "kicks" are among the points most carefully watched. In a few minutes he makes all important letters safe, and checks on the efficiency of every correspondent and stenographer. A monthly report arranged by quotas and actual totals tells him just how each department's expenses, sales and profits are running. Other details are similarly sifted.

Guessing at financial trends is one of the worst blunders a manager can make—and, strangely, one of the most frequent. One day the manager of the real estate department in an investment company went to a successful competitor in desperation and asked for his scheme

of accounting. The real estate department was one of three subdivisions of the business which, taken together, had shown a fair profit. "I'll wager," said the competitor, "that your department has not made a dollar in three years."

Analysis along the lines of sound cost keeping proved that in thirty-five months, with an investment of \$1,500,000, the department had lost \$200!

Money is never still. It is always either coming or going; growing or wasting away. Your desk of control is ill-equipped unless to it come daily, monthly and annual reports which tell you in itemized detail, with whatever quotas, comparisons and percentage parallels are most helpful, your cost of doing business, the relative parts in that cost which men, material and other factors play, your various lines listed in order of greatest percent and total profit, your income, your turn-over, your investment, your depreciation, your quick assets and liabilities, your collections and reserves, your profit or loss.

Every business, moreover, has some factor which is as sensitive as a barometer in reflecting current conditions. You need to find and watch this essential constantly. Credits, collections, overhead, trend of buying, raw material prices, money rates, labor prices, drift of working or trading population, may be the point that requires special attention. Financial policy needs also to be determined as regards the confidence of the public and the banks in your integrity and as to good credit, expansion from profits and the avoidance of investments that make your business top-heavy.

"Some details are as important as the totals on the bank statement," is the viewpoint of one manager. The details he referred to are those which touch the firm's relations with its public. This executive from time to

time inspects his shipping room and returned goods department in order to get at the causes that lie behind complaints, misshipments and damaged goods. Another millionaire owner is known to have claimed in person rewards offered to customers who detect a blunder on the part of the salespeople in the arrangement of stock. A third proprietor makes a cross-section study of his business by getting down early Monday morning and going over the two days' mail in detail.

KEEP *your eye on the distinctive service you are rendering to the public—watch the road ahead and plan for the greater future of your business.*

Among the vital functions of management are these: to decide finally what the public demands; to know what is given them in goods and service; to bring future demand and supply into harmony; to focus into a policy the workmanlike care of the production chief, the credit man's distaste for risks; the collection manager's temptation to collect money at the sacrifice of friendship; the salesman's tendency to get orders regardless of final satisfaction. As subordinates come and go, your business can not keep on an even keel unless you balance all the different forces in action and hold to a steady course. Find out, therefore, why you are in business. What is your special right to expect trade? Why should prospects come to you rather than to your competitor? What classes do you expect to serve and how? Almost every enterprise has been built on a service idea—the Wanamaker one-price retail plan, the Butler one-price wholesale service by mail, the unit idea, the department store policy of convenience, the Marshall Field axiom that "the customer is always right."

If you get a definite basis for your business, it will

not be hard to organize your accounting, cost keeping, orders, complaints and testimonials, so that from day to day you will know whether your policy is still right and if you are still selling satisfaction. .

Beyond the policies of your business, out of the analysis of past trade, looms the biggest job for the man at the manager's desk—watching the road ahead, charting progress. You have busied your employees with detail—make sure that you plan ahead. The big lines of policy, and control which focus at your desk lead out from yesterday into the tomorrows, and only the man who has them in their proper perspective can plan for the future.

One manager keeps on his desk maps and plans which require years to work out—the raw material of future business. When he has tested them in all his moods and has worked out the capital backing, the customer demand and the proper employees for detail control, he sets itemized quotas for every man in his business; to which quotas in several years no employee has failed to measure up in total and item by item. He has gained his men's confidence by sound judgment and successful campaigning—has established himself in leadership by long hours of poring over policies, financial and labor conditions, credits, competition and opportunities of service.

Management is not only the hardest problem in business, but the problem that comes nearest to the secret of failure and success. Up at the top of every business—at the apex of its pyramid of functions—sits some one to whom all lines, wires and paths of communication lead; where focus problems, records and plans; from whom radiate the spirit, the policies and the initiatives which are to write in the future of the enterprise. No other desk is so hard to fill, because no other man must

be so well rounded and evenly poised.

No special knack or ability will make a manager without self-training and use of the abilities of others. List, group and analyze, therefore, the work that fills the calendar of successful managers—that goes on at your own desk. Reduce your detail to system and assign it to subordinates. Find out what fact, what tendency expressed in a dozen letters, conferences or sets of figures tells you something vital—get that point and delegate the rest. The subject matter of your day may be different as your business passes from the little shop through the transition stage where it is too big for intimate daily supervision and finally into a strong corporation. The witness of successful managers is, however, that at every stage they are outside of and bigger than their business—above it, and in control.



CAPTAINS of industry must have capacity for detail, though they must not devote too much time to that. For while it is the intimate knowledge of details which will enable them wisely to decide the larger problems, yet if too much attention be given to detail the danger is that they will become so absorbed in the petty details that they cannot get far enough away from them to see the larger problems, which can only be seen by having the proper perspective. Executives must not try to do too much themselves; their power will lie in duplicating themselves by the selection of lieutenants to carry out their plans and, having made their selection, giving to them latitude to work into their particular problems their own personality.

—James Logan

Chairman, Executive Board, United States Envelope Company

II

TAKING YOUR PROBLEMS TO PIECES

By John H. Hanan
President, Hanan and Son

ANALYSIS in business distinguishes the real business man from the speculator. To the keen, analytical mind in business there is scarcely such a thing as chance, for this reading of the future by analysis removes the elements of uncertainty in any enterprise.

In whatever undertaking a business man embarks he may either plunge, as the pure speculator does, or he may move deliberately, with a practical certainty of what awaits him. The tyro in business is ruled by impetuosity; the conservative and calculating man in business governs all his acts with an intelligent regard for cause and effect. Sometimes we hear it said that Smith, for instance, has a veritable second-sight, and that whatever he undertakes turns into gold as if by magic. If we study Smith, however, we will find that his magic is only logic—and knowledge of human nature.

The business speculator leaps in the dark; the real business man never. The speculator may, perhaps, alight on his feet, but there are nine chances in ten that he will come down flat. The man who makes business a science studies out his moves as if he were playing a game of chess. Business, after all, is nothing less than a science. It is a gamble to many men because they choose to make it so.

Why are so many big mistakes made in business? Because the average business is too haphazard.

Forty years ago I was impressed with the value of analysis in business, and that hour was the beginning of whatever success I have had. My father had a small shoe factory in New York, and sent me out on the road for him.

THOROUGH *analysis of his first failure pointed out to John H. Hanan the "reason why" and indicated the way that led to his final success.*

The first town I visited was Detroit. Equipped with my sample case, I set forth to conquer the city. I was full of enthusiasm. I knew we were making good shoes, and I did not see why there should be any difficulty in building up a trade in the West. I hadn't done any particular analyzing on the subject, but in a general way it looked good.

Business men often go into enterprises simply because they look good on the surface.

The first shoe merchant I visited in Detroit took some of the enthusiasm out of me. It is a vivid recollection of him that lingers in my memory.

"I have come to sell you a consignment of Hanan's shoes," I said to him, displaying my samples.

"Hanan?" he asked. "Who is Hanan?"

"The manufacturer of the best shoes on the market," I answered, taken aback.

"I have never heard of him," he retorted. "I am buying the XXXX brand of shoes, and I don't care to experiment with Hanan or any other unknown brand."

Now, the XXXX brand was inferior to my own, and I knew it very well; but since the dealer had never heard of Hanan's there was little hope of convincing him. I

went away without securing a sale.

The next call I made was a repetition of the first, and so it went, all day. When night came I was thoroughly discouraged. Nobody in Detroit had heard of Hanan, and nobody wanted Hanan's shoes. That evening I went to my room at the Russell House and sat down to think.

It was then that I did my first analyzing of a business proposition. Why was it that Hanan's shoes would not sell in Detroit? I knew that we had better values to offer than XXXX, against whose competition I had made no headway. I was confident that we were making better shoes than any of the manufacturers who had possession of the Detroit field, and yet the dealers had only laughed at me.

I went over the whole proposition of business success. Mentally, I opened an account with "The Future of Hanan's Shoes." I weighed all the elements that were to add to or subtract from that future. It was a sort of ledger account that I had in my mind—an account covering the future, instead of the past. There were many debits and credits, if I may call them such, comprising every argument I could work out.

I took up a pair of sample shoes and looked them over. I was proud of them, and I knew perfectly well that the trouble did not lie in the shoes themselves, nor did it lie in lack of people to buy them. The market was there in the West; the problem was to get into that market and stay in it. When I struck a mental balance in my account with the future there was one thing that stood out prominently. It was the value of a reputation. Analysis had reduced conditions to one factor: that business success comes from having a reputation.

This may seem a simple proposition to reason out,

yet there are a lot of business establishments that haven't done this bit of analysis.

However, I carried my analysis of the future further than this. Having decided that what my shoes needed was a reputation, I formulated a policy that very hour from which I never have allowed myself to depart to this day. Up to that time our goods had borne no brand. There was nothing on them to indicate that they were Hanan's. I now resolved that every pair of shoes that left our factory should be branded with our name—not only once, but several times, and on various parts of the shoe. They should be marked indelibly.

I don't know of anything in my business life that has been of more value to me than the analytical study I made that night of the future of Hanan's shoes, and the fixed policy that followed it. It was an analysis based on human nature, and its logic has been demonstrated countless times. On numerous occasions I have had to fight against influences tending to cause a deviation from this policy, but I have resisted them steadfastly. For example, I was once offered an order for a sum that may seem fabulous, one hundred thousand dollars, if I would leave the Hanan brand off my goods and permit the use of certain dealers' names instead. These offers only proved the truth of my reasoning. If the brand was worth a hundred thousand dollars an order to others, it was worth more than that to me.

When I received these generous propositions I had occasion to look back with satisfaction to that night in Detroit, when I analyzed the future and put a correct estimate on the worth of our name stamped in our shoes.

Whatever a man's business and whatever the proposition that confronts him, he can get right down to the fundamentals of the thing if he chooses, eliminating

to a large degree the element of guess that makes some undertakings so uncertain. Many businesses have vacillating policies. This is merely an indication that analysis of the future is lacking.

PROJECT *the analysis of your problems into the future*
—study men and methods, and open a ledger account
with the tomorrow of your business.

A business may be conducted systematically so far as concluded transactions are concerned, and yet may be entirely unsystematic when it comes to transactions contemplated. It is well to discriminate carefully in this connection.

Are you in the habit of applying the same degree of analysis to the undertakings you are planning as you do to the undertakings that have gone into history and been recorded in your ledgers? Perhaps you never thought of the matter in this light. You have studied bookkeeping systems and modern ideas for keeping and tabulating business information concerning your daily acts, but it may be that you never opened an account with the future. It is more difficult to analyze the future than the past, but in some respects it is even more essential.

You can take your ledgers and from them tabulate the facts and figures that went to make your success or failure. You can group these statistics, arrange them in brackets, and reduce them to analysis of the minutest detail. If you study all the ramifications of this detail and trace each result back, logically, to its cause, you will learn whence came your success or lack of success. You will find, too, that in all your processes of analysis every result was built practically on some attribute of human nature—either in yourself, in the people who

bought your goods, or in your competitors. While you have been analyzing your business you have been analyzing humanity.

Reverse the process. Project the analysis into the future, and see if you can dissect the causes that are to produce results for you during the coming year. Relentlessly cut out prejudice and your own desires and inclinations. Keep your analysis down to the bed-rock of human nature. Don't soar above the heads of humanity. Of course, you may have elements to consider that did not enter into your analysis of completed undertakings, but to all intents you will have to take into account the same immutable laws of mankind.

Open a mental ledger account with the future, or, if you prefer, tabulate your analysis on paper. Enterprises reduced to cold facts and figures, and transcribed in black and white, often appear different from enterprises pictured to you in the glowing words of a promoter. The imagination governs many an undertaking, which, if reasoned out in the remorseless logic of mathematics, would resolve itself into its true components. In your completed transactions it is your bookkeeping that searches out for you the mistakes and hidden leaks. So, too, the detail of your analysis of the future will indicate to you the points where impulsiveness and reason diverge.

Analysis of men will write the fate of their businesses as plainly as if shown by prophecy. Yet those men themselves will fail to see it. They never have cultivated the quality of analysis; they cannot analyze even themselves. To learn to dissect one's self is the first duty of every business man. He can hardly expect to read others until he knows himself.

In an advertising proposition the value of this ele-

ment of analysis is often seen to good advantage. I have been confronted with it many times. When a business man goes into an advertising campaign of big proportions he is simply analyzing the future and staking his money on the accuracy of his dissection of human kind. He casts up his knowledge of the market and his conclusions concerning human nature, and invests his money on the result. "Clever advertising," we hear it called sometimes. It is effective simply because it is advertising based on the fundamental laws of life. Apply the same rules to all departments of a business and you will get results equally as good.

There may be instances in which successful advertising campaigns have been managed in the way a grain speculator buys wheat, but I do not recall any. The successful advertising man is analytical to the extreme, projecting every result from a definite cause. For every proposition he has a corollary; every part of the plan must have its demonstrations.

It is the habit of analysis in small things that enables a business man to move confidently and firmly in large affairs. I remember that quite a number of years ago, when I announced my purpose of establishing retail shoe stores from which I could sell my product direct from factory to consumer, most of my business acquaintances predicted my speedy downfall. On every side I heard the prophecy, "John Hanan is committing business suicide. He may know how to make shoes, but he doesn't know how to retail them. Why hasn't he sense enough to let well enough alone?"

At that time it was an unheard-of thing for a shoe manufacturer to sell to the consumer. My acquaintances believed I was plunging into a great speculation, with the chances all against me. But a new enterprise

is not necessarily a gamble because it is new. If it follows the logical lines of human nature and will bear this test of discriminating analysis, it is just as legitimate a business undertaking as if it belonged to a type a hundred years old. There was no speculation about this enterprise. I had satisfied myself of the logic of it by analyzing its possibilities into all their component fractions. The results justified the expenditure.

Advice is something that business men get freely, but the only sort of advice they should heed is that which can be analyzed into real logic. If men advise you to do this or not to do that, apply the scalpel to their warnings. If you find any real value in what they have to offer, incorporate it in your own analysis. The original and independent business man is the one who makes his own analysis true to nature, and goes ahead.



A MAN may be thoroughly upright, of the highest personal character, and have had years of experience in the very best lines of the undertaking which he represents; yet if he has not the ability to discern those hidden influences which will operate for the success or failure of his project, he is not a safe man as an associate.

—Frederic W. Upham

President, Consumers Company.

III

HOW THE EXECUTIVE KEEPS IN TOUCH

By Kendall Banning

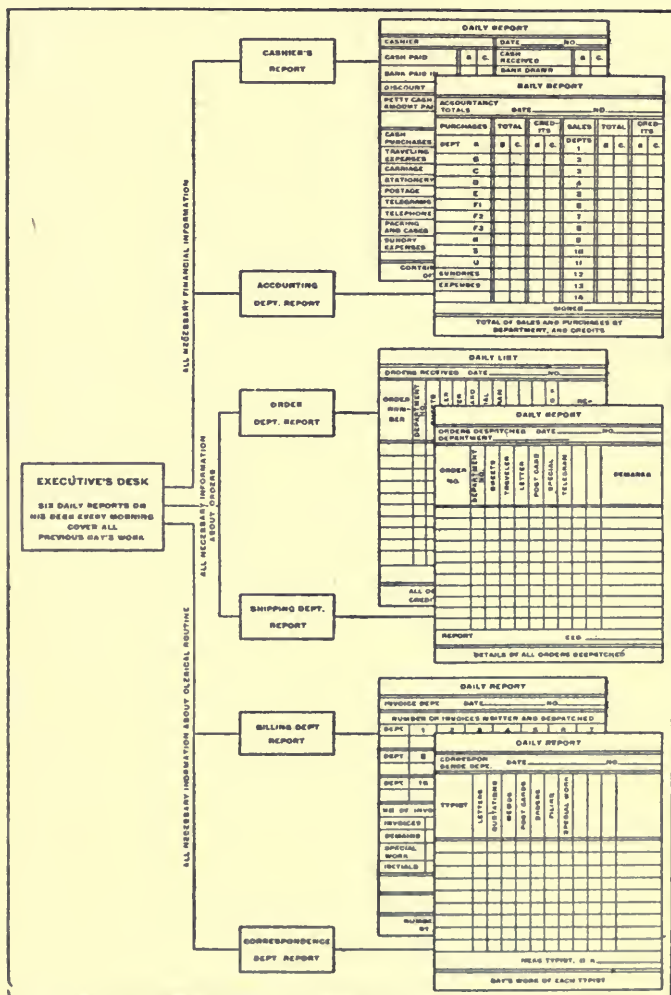
COMPARE the picture of the head of a big business concern, on duty at his executive desk, to that of an engineer, on duty at his engine, surrounded by appliances that not only regulate the machinery but keep him in constant touch with every part of the work which the machine is doing. Compare the call buttons on the executive's desk, his various telephones, his graphic record and organization charts, his daily-duty card cabinets and more particularly his daily, weekly and monthly report folders on finance, labor and production, to the power and fuel indicators, speedometers, gauges and controllers of the engineer; and we get a picture of the real functions of a business executive.

The simile may be carried out into many picturesque details, up to this one all-important point of comparison—that while the engineer can merely attain the uniform mechanical efficiency of that machine on a fixed schedule, the business executive has unlimited scope in the selection and construction of his engine of business, unlimited choice of routes and speeds and unlimited range of action and selection of goals toward which he may drive—goals that are limited in their importance only by the capacities for organization of the guiding force.

The business executive, like the engineer, must at all times have control. The moment either loses his grasp, his machine is beyond management. It is the business of both to see to it that their machines are operating steadily, that the various parts are keeping up their work in harmony with the others, that the wastes are eliminated, that supplies are available, that the tracks are clear. If either fails to note the signals he will drive his engine into danger just as surely as he will lose control to the man who sees the signals the other has missed and springs forward to take command. Opportunities and dangers come to the incapable executive when he is unaware. They are anticipated by the executive whose systems of control are so fine as to let him feel every throb of his organization, every beat of his engine of business, and allow him to guide it and regulate it and know it as an engineer knows his machine.

WHAT *the executive needs to know—methods adopted by the managers of two great concerns to get this information speedily but with absolute accuracy.*

An executive's systems for keeping in intimate touch with his business naturally vary in scope and complexity with the size and purpose of his organization. They range from his casual morning chat with his partner or manager, or sole employee, to detailed written reports and charts made out at daily and sometimes hourly intervals to show the specific progress in dollars or units of production of each machine of each factory department. They cover every item of information, from the amount of money in the cash drawer to the percentage of costs of pin bolts in one of the shops to their costs in years past, with the reasons for the difference. They come in forms that vary from the shout across the office



to elaborate charts in colors that show in graphic form the increase and decrease of a subdivision in specific detail. The simplest form is sometimes the best. Reports that are too complicated are as inimical to real system as reports that are careless and incomplete. The best channels of information are those that present the most vital facts in the most direct form, that eliminate the extraneous detail and attain their purpose in the most economical manner, on precisely the same principle that a straight line is the shortest distance between two points. The fewer these points are in number the simpler the work of the executive naturally becomes, but the number must not be reduced to the elimination of facts that affect his efficiency.

Specifically, what are these facts?

For purposes of illustration, the main channels of incoming information may be classified thus:

1. Finance
2. Correspondence
3. Sales
4. Mechanical Equipment
5. Labor

REPORTS *that keep the manager of the large business in close touch with the day-to-day and month-to-month efficiency of his sales and operating departments.*

The fundamental information that is of prime importance to the smallest as well as to the largest concern is the amount of cash on hand. The little shopkeeper ascertains this information by a glance at the contents of the till. The larger executive gets it by balancing his bank book. The general manager finds the information on a slip of paper handed to him by his cashier or bookkeeper. The head of a big corporation gets it on a

report form made out every night to show the exact balance in every bank in which the corporation has an account, bills receivable, bills payable, securities owned

ESTIMATE OF OBLIGATIONS									
	AVERAGE					AVERAGE			
FACTORY WAGES									
OFFICE AND MISC. SALARIES									
ADMINISTRATIVE SALARIES									
ROYALTIES									
NOTES PAYABLE; DISCOUNT AND INTEREST									
DIVIDENDS, COMMON									
DIVIDENDS, PREFERRED									
DISTRICT MANAGERS									
COMPANY SALESMEN AND COMPETITION									
TRAVELING REPAIRMEN									
DISTRICT INSTRUCTORS									
MISCELLANEOUS TRAVELING									
POSTAGE									
TELEGRAPH AND TELEPHONE									
RECORDING ORDERS									
CASH REFUNDED									
CANADIAN FACTORY									
CANADIAN DUTIES									
BUILDING CONTRACTS AND MATERIAL									
MACHINERY TOOLS AND FIXTURES									
RAW MATERIALS AND SUPPLIES									
REMITTANCES TO AGENTS									
PURCHASED REGISTERS									
RENTS, TAXES AND INSURANCE									
FREIGHTS									
ADVERTISING									
WELFARE WORK									
MISCELLANEOUS									
TOTAL									
GAIN THIS MONTH	COLLECTIONS								
LOSS	ESTIMATE					RECEIVED			
PURCHASES FOR MO.									
BAL.	1ST \$								
	1ST \$								
FACTORY OUTPUT	REGISTERS								

FIGURE III: This is a multiple blackboard ruled to show the financial condition of the firm by months and the status of each department. It may be concealed from view by a door, and locked

and their prices for the day, and other financial data, which is laid upon his desk every morning by the head of his financial department. This information is vital

to the humblest as well as to the greatest executive. It allows both to plan their business days so that their obligations may be met and their credit maintained.

Next in importance is the daily mail. The mail contains inquiries, orders, money, complaints, reports—

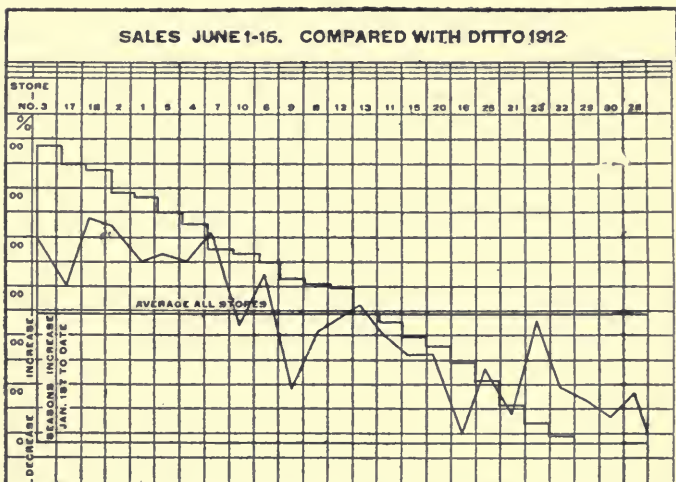


FIGURE IV: This chart helps L. C. Bliss, President of the Regal Shoe Company, watch his business. The "stair steps" indicate the sales increase in each store, and its relation to the average increase from all stores

matters on which the work of the organization rests, the fuel with which the engine is run. If the mail is small, the executive opens it and attends to the contents himself, or marks each letter for reference to individuals or departments. If the mail is heavy and the firm is large the mail goes to the mail clerk or to the correspondence department for similar distribution and a report is made to the executive head. "This correspondence—the incoming and the outgoing mail—is the pulse of the firm's progress with the outside world. The closer an execu-

tive is in touch with this pulse, the quicker he can detect fluctuations and direct accordingly.

Orders and sales are the easiest items for an executive to record. Mr. Bliss of the Regal Shoe Company gets his record in chart form.

For example, one chart (Figure IV) shows the semi-monthly records of sales. It is divided into latitudinal sections to represent the numbered stores in the Regal chain. This method of division can just as well be used for the departments in a single store. The figures in the left column measure the increase or decrease in the sales of any one of the stores. The store which shows the

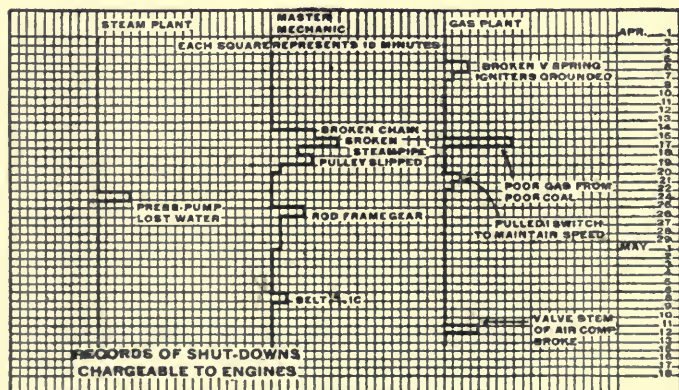


FIGURE V: A typical graph by which a manufacturer checks over engine room troubles. The three black lines represent the steam plant, the factory equipment and the gas engines; the squares stand for intervals of time. As soon as there is a shut down for repairs, the line is broken and an explanation written alongside

greatest sales appears at the left, the store with the smallest sales at the right. The result is a line broken into "steps" representing the relative position of the stores' sales. The season's increase is also given and

the average for all of the stores.

A more personal system of keeping an executive informed of the work of his departments is used by John H. Patterson, the head of the National Cash Register Company. This executive practically makes the department come to him and explain in the person of its head what it is doing. For this purpose, each department is equipped with a folding blackboard containing one or two dozen leaves. Each leaf or page is numbered and reserved for information concerning the various duties of that department. Its output, its expenses, its changes in personnel, its suggestions for improvements, and its accomplishments and obligations are written thereon daily. A glance through the leaves shows the status of work. These blackboards are attached to the walls of the departments. At the command of the executive they are transferred to the wall of the president's office, and inspected and dissected by him with the assistance of the department head.

The statistics of each department are, of course, recorded in regular form; the blackboard scheme, however, enables the executive to get at once from the head of each subdivision, a direct and intimate review of present conditions and plans for the future that do not appear in the company's records.

The systems for keeping the executive in touch with the mechanical equipment of his plant, especially in a manufacturing organization, so closely resemble the mechanical appliances that keep an engineer informed of the workings of his engine as to amount practically to the same thing. The self-registering charts attached to the latter are permanent fixtures; in the case of the executive they are sent to his office. From them he learns of the power being used, the amount of fuel con-

sumed, the productive power per unit of fuel, the productive power of each machine and of each employee. A striking example of such an indicator-chart is shown in Figure V. It enables an executive in a large manufacturing concern to check engine room troubles by glancing at three lines. These lines run over squares each representing ten minutes, horizontally, and a day, vertically. When everything is running smoothly, an office assistant draws in an unbroken line. But as soon as any of the machinery gets out of order, the line breaks and goes off at a right angle until the repairs are completed. An explanation of the delay is written over every break in the line—the executive can check and correct negligence or incompetence at once.

Keeping in touch with labor is one of the most difficult tasks of the executive. The mechanical record of labor—the number of employees, the pay roll, their distribution among departments—these are simple items to tabulate. But human toil cannot be adequately expressed by typewritten numbers. The results of it may often be written in definite figures that record the sales or the products of a plant, but more often a falling off or increase in business cannot be specifically credited to this one factor. Hence labor is handled not so much by the mechanical and impersonal routine of card records and report sheets, but rather by the less formal and more human element of personal contact.

One way of getting this acquaintance is through committee meetings. Another medium for personal contact is the executive's private office. Many a threatened disturbance has been calmed in the quiet seclusion of the president's office while chatting as man to man over a cigar, and many an idea has been planted that has

borne golden fruit that, but for personal contact, would have been unsown.

The charts and diagrams and report sheets and indices that make up the mechanical routine of communication between the business executive and his organization compare with the recording devices that furnish figures to the engineer about his engine. But both business executive and engineer must know how to act upon them, must know the machine's condition, its possibilities, its resources. It is to give this intimate personal acquaintance that these nerve-like systems of communication are devised—systems that vary in size and scope with the size and scope of the business machine—and of the engineer.



IN THIS day of great industries, a thorough knowledge of the smallest details of a business could not be secured in the old ways of knowing simply through the process of doing. There are too many details. The business man today must have facilities by which knowledge of details will come to him automatically.

—Edwin A. Potter

President, American Trust and Savings Bank

PART II—MANAGING MEN, MONEY AND DETAIL

Work and Wages

THE money value of an employee to a business is determined by two factors: first, his market value (fluctuating according to labor supply and demand); second, his proportion in the cost of doing business.

You must pay him his market value or you cannot keep him.

After the cost of material and manufacture, it is estimated that the cost of doing business varies from twelve and a half to twenty-five per cent. If a wage earner fits into this cost he has a money value to the firm. If his proportion of the entire cost of doing business is too high, he is an expense. The individual's money value is easily determined by his proportional output or by what others pay for equal skill.

The pay roll is usually an index to efficiency. Pay a man what he is worth, and he will work for his wages; give him more, and he will work for you. As a rule, an employee is as valuable to the business as the business is to him.

C. S. Furth



CLARENCE S. FUNK

*President and General Manager, M. Rumely Company
Formerly General Manager, International Harvester Company*

IV

TRAINING MEN FOR LEADERSHIP

By Frederick A. Delano

Receiver and Former President, Wabash Railroad

IN EVERY line of work, there is what may be termed the jealousy of craft. A man says to himself: "Why should I teach Smith how to do my work? I have spent a lifetime in learning the business, and now if I take Smith as an understudy, he will crowd me out of my job in a few months." He neglects to see that his value will be judged not by his own unaided work but by that of the staff over which he presides.

Railroad managers realize, I believe, perhaps to a greater extent than executives in any other line of business, the importance of developing the inner phases of an organization. As a matter of fact, the argument of the one-man executive is fallacious. If he really be a competent man, his own advancement is hastened by having material under him trained to assume his duties.

I am inclined to think, too, that the progressive railroad company of today has an organization better equipped, more self-sustaining and self-perpetuating, than the average business house. It has available more human material, trained as understudies to numerous executive offices, than the average merchant or manufacturer.

In years past, this was not the case, but the day of the one-man, one-executive railroad is gone. While there

may be many instances in which railroads have not followed the trend in this respect, there is certainly a marked tendency to build organizations of many individual forces, instead of a few. The president does not consider himself the railroad, as he once did; no general executive holds his place by virtue of being the only man in the organization who knows how to handle the work. There have been broadening influences among the railroads that have led to the new policy of producing men competent to direct in any emergency, rather than searching outside the organization to secure them.

Some railroads of this country have become very notable for the men produced; some have not progressed so far; a few remain narrow. But it is becoming increasingly rare for a railroad to go outside of its own organization for material.

ONCE *the manager feared to lose his position if he familiarized another with his duties—today leaders recognize the need of training understudies.*

To the general public, the operating department of a railroad is the railroad itself. It is the spectacular thing that the public sees, and that is, indeed, a department where the understudy is imperative. Life-and-death necessities make indispensable some system of recruiting and training competent men who will be available in any emergency.

The nature of the business tends to make the operating department automatic in its organization, and it is this that causes a railroad to move along smoothly no matter who quits or dies suddenly. There can be no shutting down, no delay in sending out trains, no waiting a day or two until somebody can be hired from outside. A railroad never stops.

If it is a good thing for the operating department to develop its own material, it is equally good for the traffic department and the audit department; indeed, for any department where smoothness, economy, or progressive development is desired.

Most of the great railroads do apply this system of organization to all departments. The understudy plan, or whatever you choose to call it, really means a broadening out of the organization. Railroad men have been broadening themselves, and gaining a better idea of business principles and the advantages of a many-man business. The growth of the railroads has made imperative the better-training of the various units of the organization.

The complexities of the traffic department have become so great that they require the highest degree of familiarity. Where once a railroad found a small pamphlet sufficient to contain its tariffs, today volumes as big as a city directory are needed. And so this system of understudies has spread from the operating department to all other departments of the railroad.

There are two ways of filling an executive's position. The executive may assume all the functions, knowledge and wisdom himself, distributing none of the responsibility and developing none of the capacity of the staff about him. Or, on the other hand, he may act simply as a leader to inspire, enthuse, encourage—having constantly in mind the development of the capacities of the men under him. The theory of this method is that the intelligent effort of a group of men working in harmony and on an intelligent system, is sure to accomplish more than the brains of one man unaided possibly can.

I recall, as a case in point, a little advice that was offered an official of the Burlington when I was with

that railroad. He had been advanced rather fast along a somewhat unusual line of promotion—first from the shops to the telegraph department, and then to the superintendency of an important division. When he assumed the latter office an official of long experience said to him:

“You’ve got a new machine, but it’s running all right. Don’t stop it until you know how to start it again.”

Y*OUNG men are taken into the organization of the railroad and trained gradually to assume the duties and responsibilities of higher positions.*

A railroad or a well-organized business may run along almost indefinitely of its own momentum. A new executive, unfamiliar with the machinery, comes along and imagines that his duty is to stop the machine, upset the organization, create reforms on the instant, and then start the thing again with a new and untried load. Here the advantage of the understudy comes in. He has grown gradually into his position; he knows all the facts and influences governing his work. He is cautious, yet sure of the real needs of the position. Even in the law department of a railroad this rule of understudies is general. Most general counsels are now developed in this way, rather than by the old plan of going outside for lawyers with brilliant records, perhaps, but without railroad training. The advantage of this may be imagined when one reflects that the general counsel of a railroad corporation is the head, not merely of one law office, but of perhaps a hundred, in states having varying statutes. The lawyer, however able, called upon suddenly to assume charge of complicated legal affairs in a widely scattered territory, must do so to a great

disadvantage to himself and the company.

The business of recruiting and training understudies, then, is one of the most important undertaken by a railroad executive—and one to which the higher official must give increasing attention. In a well-organized railroad, these higher officials, in addition to lending their moral support to the policy, are often actively on the lookout for capable understudies. They are always on the watch for ability, and eager to foster it for the benefit of the organization.

For illustration, take the train-dispatching department. In such an important branch of a railroad's operation, it must be somebody's unfailing duty to provide a supply of competent men who will be available instantly when called upon. As a rule this falls upon the shoulders of the division superintendent and his chief lieutenants, the train master and chief dispatcher.

These men are continually on the watch for young operators who show themselves to be quick, alert, clear-headed. When recruits are found they are perhaps working on remote and unimportant branches. They are advanced to divisions of more consequence and responsibility, and in due time become dispatchers on branches, or assistant dispatchers in the main offices. Duties grow upon them as understudies, and when something happens to thrust one of them into full charge, he assumes the task naturally and easily. It is the delegating of responsibility to men by degrees that makes them familiar with it and develops the ability to handle work intelligently.

A superintendent may be developed from various sources. Some railroads consider of chief importance the ability to move trains, and on roads where this idea prevails, the superintendent's understudy advances from

a train conductor, a train master, or a chief dispatcher. Other railroads look more for men who show maintenance ability, and here the line of advancement is from a road-master or a superintendent of tracks. Still other railroads are more general in their requirements and prefer that the superintendent shall be a good business man capable of dealing with the public and meeting all questions broadly and intelligently.

This is merely illustrative of methods which I believe ought to prevail in all lines of industry, and which do prevail to a very large extent in railroading. Railroad men of today are broad-minded and ready to take up the most advanced policies and systems by which their branch of activity can be furthered. The more men you are called on to meet, and the greater the variety of conditions you encounter, the broader will be your handling of the problems of a many-sided organization.

Railroad men do mingle with many people and many classes. The ramifications of the railroads are so extensive that those who conduct them can scarcely be provincials in methods or views. To this fact more than any other do I attribute the advanced characteristics of railroad men,



MEN learn only by the mistakes they make. An employer should expect and should encourage his men to take the initiative and make mistakes. Only in this way can they gain experience. This method of handling employees may be expensive in its early stages, but it is the only proper schooling for a position.

—Richard W. Sears

Founder Sears Roebuck and Company

V

THE MONEY END OF MANAGEMENT

By George H. Cushing

WE MUST have money. Business we ought to control is getting away from us because we haven't salesmen enough to cover our territories closely. Or capital enough, for that matter, to extend the credit new customers would demand or to pay for the extra goods we would have to carry in stock. Both ways from the center, we encounter a need for more money. We go ahead if we get it; we stand still if we don't."

Satisfied with this summing up of the firm's position, the selling partner waited for his answer. It was his daily regret that orders were going elsewhere when they could so easily be added to his own sales sheet. He had begun to feel his power as a merchant, as a buyer and seller of wholesale groceries, and he chafed at his partner's inability or disinclination to finance his energy.

"Yes, we need more money," that partner agreed. "I can borrow from the banks all you can use, but I'm not sure yet how much we should borrow. We want to boss that borrowed capital, not allow it to run this business.

"When a manufacturer sells to us on credit, he is gambling on our honesty because much of what we buy is consumed before the bill is due. When we sell to the retailer, we do the same thing. If a bank should lend

us money before we have worked out a sound financial program and shaped our sales and credit policies to fit it, that also would be speculation—speculation in the honesty and ability of two men; the difference between good credit and bad.”

ENTER the bank slowly and come out quickly—this is the thought that has built a sound financial policy for one wholesale grocery concern.

The inside financing of this business—buying, credits, and collections especially—had not yet been standardized in the “eighties,” when this conference took place. Neither of the partners was willing to take a banker’s judgment of what was safe procedure for a merchandising house.

Part of their stock, they knew, would prove “stickers”; some of their customers’ accounts would never be paid in full. If they were listed as assets, the margin of security might disappear in time of stress and destroy the business. What both partners sought to find was a sure financial foundation which should serve two purposes:

First, make their own advance safe and profitable.

Second, provide absolute security for the funds intrusted to them by others.

The partner in charge of the money end was struggling to arrive at a working basis for the firm’s financing.

“Certain of our accounts are as good as cash on the day they fall due,” he suggested. “I figure them as eighty per cent of the total on our books. Of our stock, I figure that at least seventy per cent could be closed out in a hurry at the inventory price. Together, these two items make up the quick assets on which we can

depend. Add salvage on the rest of our stock and accounts, subtract what we owe, and the remainder gives you the basis on which we can safely borrow. If that doesn't give us the money we need now for credit expansion, we must change our credit policies. In fact, these percentages show that we ought to buy more carefully and be more cautious in extending credit."

The sales manager protested. "You can't take the risk out of a business and expect it to grow," he declared. "Why not borrow as much as the banks will give us on an honest statement, and go after this business that we're losing now? At best we are only borrowing until those who owe us have paid up."

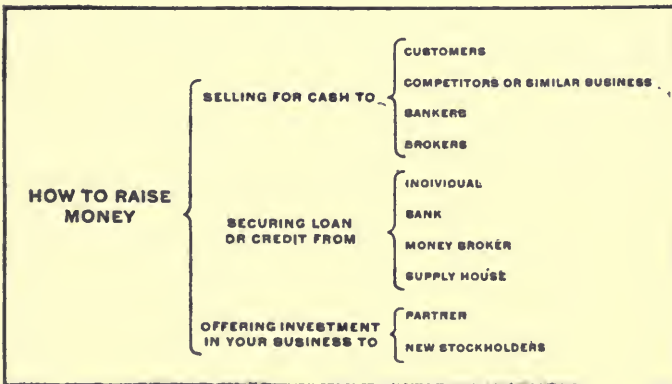


FIGURE VI: This chart shows methods of raising funds. The first method requires the sale of merchandise or special holdings. Loans and credit may be based on tangible assets, or simply on your personal notes

"That's the point. We borrow until our debtors pay. To pay our loans we must be sure others will pay what they owe us when their accounts fall due."

As I sat, waiting, in the private office of the man who shaped this policy, and watched his swift, decisive han-

dling of crowding details, always twisting rebellious items back into sane channels, it was plain that what had once been an ideal had become a business habit.

The danger of optimism was his first test when he swung away from his desk and began to lay down the inflexible law upon which his business had been built. He went back to the turning point in the firm's career, when the vote went against swift expansion based on easy credit.

"We knew two things about money," he declared. "We knew that hard-headed men will sometimes put money into unsound ventures. We knew, also, that nothing makes a trader so careless as to get capital easily. To keep ourselves in check, therefore, we deliberately adopted the theory that money is the hardest of all things to get. We extended credit—loaned our investment in goods to buyers on the same basis."

How the adoption of this policy changed the plans of the young concern, he told in a few sentences filled with the philosophy of a successful business:

"My partner was astounded to learn that fully twenty per cent of our accounts were not 'gilt edged.' He began immediately to use greater discrimination in making credits. We failed, of course, to secure a lot of business which we might have had; we did not set fire to the commercial world with our speed, but we did get real money for our goods—and had real money to pay our debts. We played safe.

"This influenced our relations with the banks; we went in slowly and came out quickly. We borrowed a little at first and paid it back quickly. As business grew and as our balance increased, we borrowed more. But no loan was ever asked until the banks knew that we knew where we could get the money if the loan was

called. Today we could borrow a quarter of a million as easily as we secured ten thousand dollars twenty-five years ago. Yet we have never sold a piece of paper."

HOW *a furniture house and a retail coal concern have developed sound financial policies—difficulties they found in the way of success.*

This is the old-fashioned conception of safe financing for a mercantile house—a self-contained business, rooted broad and strong on a policy which puts no trust in luck and forestalled chance, fed with the profits it has made and to which it has, in the minds of its owners, the first claim. Compared with the Aladdin structures reared in recent years from "opportunity, plus a shoe string," this staid old house, despite its millions, lacks imaginative appeal. To the men who built it, however, for their sons' grandsons, their plan of financing was the only absolutely safe one. Summed up, it stands: a merchant has nothing but goods and accounts; he should have enough capital to carry these until they can be disposed of with profit.

To hold expansion within safe bounds and find the money for vital growth are major, and related, problems in any thriving store. To match our wholesale grocer's conception of safe financing against the experience of other merchants, I went to a furniture man, with a business history quite as long and as profitable. He, too, could speak in the accents of authority and recognized success.

"We use our surplus money to test the demand for promising articles outside the staple lines," he said. "Handling our money in this way, the financing of growth and expansion is attended with little risk, particularly if you adopt the companion method of letting

every regular department start slowly and develop only as your customers force the development."

There are seven rules of store finance, this furniture man declares. He enumerates them as follows:

"Begin with enough capital to carry you until you have turned your goods three times. Then you will not need any more unless your mistakes in judgment prove costly.

"Never take money out of your business to invest in other lines. If you know enough about other lines to invest in them you have been neglecting your own business. If you don't know all about the other business, you are speculating and robbing your own business.

"Never take money out of your business to indulge a taste for a luxury until you are sure the business does not need it.

"Never crowd a customer unduly. If, after investigation, you extend credit to him, you can't afford because of temporary necessities to make him feel that you regret your decision to trust him.

"Never ask a house whose goods keep you in business to wait for its money. It may extend the accommodation—it probably will—but in the end you'll pay much more than interest on the money involved in the transaction.

"If you need cash, temporarily, go to the bank. A good standing at the bank is a convenience in fair weather and a safeguard in time of trouble.

"Build up your departments one at a time by using idle money. If you expand on your earnings you grow. If you start new departments on borrowed money or new capital you are conducting several businesses under one name and multiplying the chances of failure."

Radically different, in its money needs, from either of these merchandising types is the business of selling coal

at wholesale. Here the assets consist solely of accounts receivable, for the reason that there is never any large amount of stock which can be inventoried. The wholesale coal man deals in a commodity which usually does not leave the cars while in his possession.

Another difficulty in its financing is that the business is highly speculative, for the reason that the supply of coal land is practically unlimited. This means unrestricted competition and prices hinging on fluctuating influences. For years the producer with the necessary minimum of mine equipment could compete with the best equipped concern. Until recently almost the only consideration in buying coal has been the price. This price fluctuated violently with the demand; and demand fluctuated violently with weather changes.

To buy soft coal at wholesale and sell it at a profit of one dollar or more a ton is a common occurrence; to buy and sell at a loss of one dollar or more a ton is also very common. For these reasons it is hard to figure out a safe basis for financing the actual transfer of coal from producer to consumer.

Add to these disadvantages the fact that credits and collections are usually handled with less regard for system and regularity than in other trades, and the problem of financing a jobbing business, with limited capital, becomes acute. How one young firm of wholesalers worked out a successful plan of financing such a volatile business was described by the managing partner as follows:

“In the coal trade troubles focus on the slowness of collections. Statements are rendered regularly, but the buyer usually takes his time. When we started, however, our capital was small and anything but prompt receipt of money for coal shipped would bring failure.

We adopted the policy, therefore, of collecting when our bills fell due—either in cash or by a settlement note. The notes give us a basis of bank credit, where an open account would not.

“In negotiating our own loans, we first used indorsed paper. Part of our first surplus we invested in good interest-bearing securities for use as collateral. After that we borrowed a little more without security, while that collateral was still in the bank. We built up our credit, moving slowly and looking at each loan always with the eyes of the banker rather than with our own. We never discounted a piece of paper without asking first: ‘What is behind this note?’ If it passed scrutiny we discounted it. If it was doubtful we carried it ourselves.”

Here the day-to-day financing of the business hinged on the transformation of past-due accounts into ready money by the discounting of the customers’ notes—a method which wholesalers in mercantile lines are loath to employ, since it introduces into the customer equation an outside element, which may turn hostile and disturb delicately balanced relations. The effect on tomorrow’s sales as well as on the more remote future of the business is an item which must appear in the summing up of the advantages and the weaknesses of any financial policy.



I SO systematize my work that the weak spot is quickly evident. This leaves me the strength that some men put into a losing fight and expend on the defensive, to devote to the initiative.

—Edward D. Easton

President, Columbia Phonograph Company

VI

SHORT CUTS IN EXECUTIVE WORK

By George H. Cushing, and Wesley A. Stanger,
Manager, Royal Typewriter Company, Chicago Branch

WHILE exchanging the greetings usual at a directors' meeting not long ago, one man noted the tanned cheeks and the athletic wholesomeness of the man at his side.

"I play golf every afternoon," was the explanation.

"Play golf! How do you find time?"

"I have a system," replied the athlete.

"I have a system, too," said the other. "Yet when I play golf I always feel as though the time were stolen from work."

"That's just how I felt about it before I devised a system that includes my own work as well as the work of my organization," replied the out-of-door man.

Both these men control efficient organizations. One, however, has so organized his personal work that he finds time for recreation—a factor that plays no small part in maintaining his efficiency. The other labors from eight to twelve hours each day, because he has not created an organization or system of work for the conduct of his personal duties at the office.

To be sure, he has crowded an increasing quantity of work into a given amount of time, but he has not, at the same time, conserved his energy as has the executive who cuts out all wasteful details and gives his personal

efforts the advantage of many time and labor-saving systems and devices. The latter occasionally unwraps himself from the intricacies of his organization and makes a scientific investigation of his own work as such, solely to find out ways and means of conserving his personal time and energy for concentration on important matters. Such occasional prospects of his personal work also give him a chance to judge actual values and pick out the "most important matters" for personal attention.

HOW *the successful executive builds an organization that cares for routine details and saves the valuable minutes of his business day.*

But whether an executive works four or sixteen hours a day to perform his duties, he must first build up an efficient organization to carry on the details of his business. No head of a business or of a department can afford to have outside recreation until he has organized a capable force of assistants who, if necessary, can carry on his business satisfactorily in his absence. The building of such an organization is the executive's first problem. How he solves it is a fair measure of his executive ability. And the solution of this problem is inseparably associated with the manner in which an executive's *own* time is employed. When such an organization is once whipped into shape, the executive's work narrows down to ways and means of putting final touches on the routine of his personal responsibilities.

In general, there are six chief sources of lost time in an executive's work. These may be separated into those that come from outside the business and those that originate inside of the office. Mail, visitors and telephone calls comprise the first class; "inside" causes include

reports, meetings and inspections.

Few executives are so happily situated that they can make rules regarding hours for callers and enforce them. The man who would be satisfied with a letter dictated and signed by an assistant usually resents the refusal of an executive to see him personally.

A few executives pride themselves on their democracy, on the fact that "any man at any time can come right up to my desk," as one employer of thousands put it; they surrender their time on demand to any one who presents himself. Then, necessarily, these executives resort to all sorts of expedients to shorten or terminate a large number of petty interviews. Most executives find it easier to keep callers out than to get them to go.

The president of a manufacturing company brought into his office a courteous and diplomatic young lawyer and gave him first the title of "assistant to the president," and later, "vice-president." This young man was present at every interview during the first year. Thereafter the "vice-president," who held one share of stock, received the callers and usually succeeded in eliminating all save the actual few whom it was unquestionably to his chief's interest to see.

Such a "shock absorber" system depends for its success, of course, upon the personality of the subordinate.

But unless an executive is sure that he has a capable man guarding the door to his sanctum, a man who can select those to be "turned down," it is usually unsafe to refuse to see any callers; often a good slice of profitable business results from courteous treatment of apparently unprofitable visitors.

When a traffic director of one of our greatest railroads was with a smaller road, he granted a courteous hearing to the complaint of a traveler. Several years later, when

he had become traffic manager of the greater road, this traveler called at his office. An important conference was under way, but going to the door of his private office and greeting the caller cordially, the traffic manager said:

"I'm sorry you find me busy, but I'm tied up for a couple of hours. Can't——"

"I just wanted to say," broke in the visitor, "that I am on the transportation committee for the annual outing of our society next month, and I wanted you personally to know I had not forgotten your courtesy of some years ago. If you will send a man to my office with rates for a party of two hundred, I'll see that you get the business."

Telling about this event and others of a similar nature, subsequently, this successful railroad man said to a friend:

"I've had so many queer experiences with callers that I never like to let one get out of my office without personally finding out what he has on his mind. Ordinarily, a man does not try to pay a visit to a busy man unless he has a purpose. To get that purpose, I spend a few seconds with each caller and, if I can't handle the case instantly, I make an appointment."

In this particular instance, the executive made it apparent by his manner that the visitor was welcome and also that time was limited. It was a subtle invitation to do business quickly, or come back later for a more prolonged discussion. It also cordially invited the visitor to say what he had to say and get away quickly.

A well-known executive in a large newspaper office, a man who invariably gets the most out of his callers, and who always gets rid of them when they have taken as much of his time as it is profitable for him to give, re-

cently advised:

“If you want to get the most from the other fellow, never talk about yourself nor permit him to talk about you.”

On one occasion an elderly ex-judge from out of town entered this man's office, pulled up a chair and seemed disposed to indulge comfortably in a long chat. Immediately he was pinned down to interesting and profitable subjects. Before a half hour was over, when the judge was bowed cordially out of the door, he had told a story which was illustrated and used in the Sunday paper, had given facts which shed important side lights

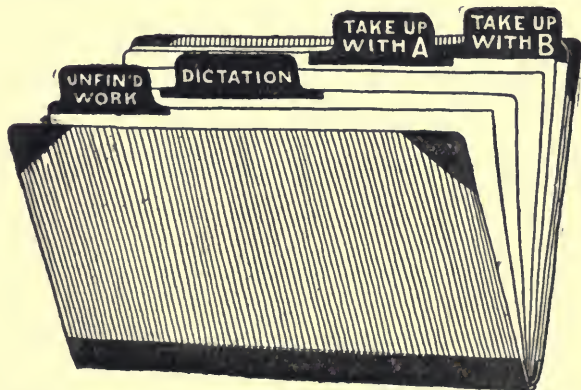


FIGURE VII: A specimen desk portfolio in which the modern executive places notes, memoranda and correspondence that require personal attention. This book is particularly useful as a hold-over file for unfinished business

on a big piece of news then running in the telegraph columns, and had told other facts used with telling effect by the political writer.

When any caller's time was up, when he had told this executive all that was of value, he did not find the chair in which he sat a comfortable place to spend the

remainder of the morning. To permit that would be to wipe out all of the advantage of the other tactics, for it would lose through one method the time gained through another.

While it was not the business of this newspaper executive to "read copy," all of the news from the city staff passed over his desk. Therefore, he always had a convenient bundle of papers on his desk so that when a stranger stayed a little longer than necessary, these manuscripts would begin to come out of pigeonholes and odd places until they made a formidable pile. Usually the caller took the hint and left hurriedly.

Getting the visitor out of the office on schedule time is a delicate task, but it is as vital to executive efficiency as getting all he has to say of profit before he leaves. This executive understood both methods and employed them with consummate tact, when he could, but, rather than risk lowering his personal efficiency, he would resort to extreme methods.

A traction executive observes a simple and straightforward method of avoiding unnecessarily prolonged interviews. To a caller not long ago he said:

"I have a meeting this morning at ten, which gives me fifteen minutes now. I will be back at half past one and will then have a half hour before two o'clock, when I have another engagement. If fifteen minutes will do, I wish you would come in now; if it will take longer, suppose you come around this afternoon."

No visitor could expect to trespass upon an important board meeting, so no offense could be taken.

Another executive excuses himself from callers by a buzzer system. When his secretary announces a visitor, he tells him how many minutes he will be allowed. At the end of that time his buzzer rings, he rises, excuses

himself and the caller usually leaves without further ado.

If another man comes to see this executive while a conversation is in progress, and the secretary knows that his superior wants to see him, a buzzer signal notifies him of this fact. Then if he is interviewing a man who refuses to go, when ordinary methods fail, he presses a secret button which signals his secretary to appear and tell him that he is wanted in some other part of the office.

On the desk of the private secretary of another executive, concealed from the view of the caller, is a device containing a roll of paper, upon which the name of every caller and a statement of his business is written by a pencil that is operated by electricity. This writing is transmitted to a similar device on the desk of the executive. Thus, while he is talking to one man, he is kept in touch with what is going on outside. When a caller stays too long, he points to the long list and states, "I have an appointment with Mr. Jones, and he has been waiting ten minutes. I must ask you to pardon me." The visitor seldom intrudes further. As soon as the caller leaves, he picks up the electric pencil and notifies his secretary what comes next, and thus keeps in constant communication with him without the use of a telephone or buzzer.

COMPARATIVE reports from which every non-essential is excluded are compiled daily and placed on the executive's desk to keep him in intimate touch.

The prevention of executive waste from inside the office is quite as important in attaining a high degree of personal efficiency as waste from without. Of these, the reading of reports is a prolific time consumer.

Condensed daily reports, comprehensive in scope, com-

pared with periods at stated intervals in past years, afford an economical and authoritative grasp of the business as a whole. Such statistics are a sort of express-elevator method of getting an effective commercial view attained in the past only by laborious stair-climbing. By means of graphic charts—where squares on paper represent time in one dimension and quantity or value in the other—the mind is enabled to grip quickly the variations which, if studied through the medium of numerical columns, could be grasped only after a siege of mental application. Department reports, division reports and all kinds of house reports gain by this mode of expression.

The task of keeping tab on purchases, current prices, fluctuations and other details is a good test of any executive's ability. He should be sufficiently conversant with conditions to check up intelligently the work of his assistants. Graphic charts facilitate this work.

One executive uses artists' gauge sheets for the purpose. These sheets are finely lithographed with lines running each way, like "quadrilled" paper. Each sheet shows the number of squares to the inch, and each square inch is ruled off with heavier lines. This executive employs a clerk who, with colored ink and a marking pen, draws lines from left to right to show the daily rise and fall in prices. He runs each chart for five years. The name of the material traced is printed at the top of the page. Various colored inks are used to distinguish different years, so that a glance shows any important deviations. At the end of the year the line has progressed across the chart through a twelve-month section.

He also uses a daily record of factory products that shows five years' records as they vary from day to day.

Every morning the charts are put on his desk. He notes the tendency of the market and the conditions of the day previous, also a comparison of past years. Thus with little effort, no hunting and no written reports to wade through, he keeps before him a picture that warns him of any tendency towards weakness.

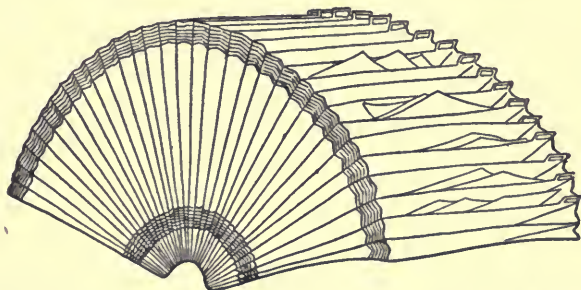


FIGURE VIII: A clever device for facilitating the collection, sorting and delivery of papers in an office—a "mail bag" arranged in compartments in which each department's correspondence is placed

Railroad presidents must be familiar with many different kinds of reports. The head of several interurban railways gets complete daily reports of every detail in connection with each of his lines. He can tell at nine in the morning—unless the telegraph wires are down and the mail trains wrecked—exactly how many fares were taken on every line the day before, how much it cost to operate, how many men were employed—a summary of all important details in the operation of the lines. He does this by means of printed report blanks in which only figures or a word or two need be inserted. He knows what the printed portions say and saves time by reading only the matter inserted. The complete report of each of his lines is reduced to a form three inches wide and eleven inches long. His men maintain their

daily recapitulations so carefully that their chief closes his business every day as though it were his last on earth.

Another executive, also the head of a large corporation, keeps constantly in touch by reports that come in every few minutes. He has arranged the entire office force to carry out his scheme. To the left of his private office is a receiving department, where all incoming matter is received. From here it is distributed and sorted and started on the journeys through the huge office machine. In this routine the details become more and more condensed, so that when they reach the chief they are reduced to the bare essentials.

This man motors to his office at ten in the morning, spends two hours at luncheon, and leaves at four. Yet he superintends every movement of a mammoth business by spending practically all his time scanning reports and making suggestions. He is a high type of the rare executive who handles a big business entirely through a highly developed report system.

Many executives arrange a schedule which calls for weekly or daily meetings with their staff members. While few are so radical as to deny the tremendous impetus that results from the personal touch acquired in these meetings, many insist that far too much time is lost through failure to adhere with strictness to a rigidly-drawn program.

WEEKLY or daily conferences help clear up many executive problems—how advance preparation makes these meetings yield greater results.

Discussions usually develop diverse views. Mental processes vary with the individual. Some think quickly, others grasp subjects slowly, approach discussions cautiously and scarcely develop interest until most men are

through. The opinions of these men are valuable, but, rather than humor their mental attitude, one executive has found it an economical plan to send around a synopsis of the subjects to be discussed. This idea was developed through his sales manager, whose men came in each week. On Thursday morning each man received a letter outlining the Saturday conference. Here is a sample:

Subject: November Sales.

(a) Northern District (Comparisons and divergences).

Eastern District.

Western District.

Southern District.

(b) Factory Shipments.

Storage Shipments.

(c) Foundry Improvements.

Sales Talks—Saturday, November 11th.

Subject: The Howie Patents.

(a) Where the "Gem Royal" falls down.

(b) Howie patents on coke burners.

(c) Our suits for infringement.

(d) Davenport tests in radiation.

On that morning twelve salesmen and the sales manager meet at 10:30 and in one hour have studied the charts, heard the best selling argument of the week, learned how factory shipments were coming on, and departed. "One minute talks" are the rule. The sales manager talks five minutes at the opening and generally five minutes at the close of each meeting.

When reports of meetings reveal to the executive indications of trouble in any department, immediate personal attention is demanded. Rarely, however, should the executive indulge in a personal inspection of details except when urgent.

For instance, mail sales may be inspected for careless handling by taking any one delivery and looking up the

complaints. Agency sales may be inspected through adjustment letters; accounting, purchases, operation and general expense, by selecting a typical case and following it through. Here only does an executive come into actual contact with details. As a rule, he can get at the root of a difficulty by a few pointed questions. If he finds the necessity of inspections when he has no inkling of trouble, there is something wrong with his own work.

Time-saving mechanical devices, such as the "telautograph," overhead basket carriers, graphic charts, mail assorters, and so forth, play an important part in the maintenance of an efficient organization. Many of them are especially designed to short-cut the executive's individual work. But, in addition to the use of all the best mechanical devices, ability to organize *himself*, to conserve his own time apart from mechanical aids, marks the difference in the personal efficiency of the business man.

An executive's efficiency is in direct proportion to the amount of effective work he is able to crowd into each hour. If he so regulates his mail, personal and telephone callers, his reports, meetings and inspections, even to the point of having time for physical recreation every afternoon—that is personal efficiency.



I FEEL that management is destined to become more of an art; that it will be studied as an art and will rest upon well-recognized, clearly-defined and fixed principles, instead of depending on more or less hazy ideas received from a limited observation of the few organizations with which the individual may have come in contact.

—Frederick Taylor

Author, *The Principles of Scientific Management*

PART III—HOW FOURTEEN MANAGERS HANDLED THEIR BIGGEST PROBLEMS

Founding a Business

UNDER the building recently erected by Butler Brothers stand one hundred and ninety-two caissons, six feet in diameter, extending down to hardpan seventy-five feet below the basement.

If, before the superstructure was erected, the earth had been excavated from about these caissons, they would have appeared like a forest of huge concrete columns rising high in the air. And yet, as one looked upon the work just before the basement was walled in, he saw no evidence of caissons; only the trampled pit. There was nothing in sight to indicate the mighty lifting power that had so patiently been prepared for the lofty structure to come.

And thus it is with a great business, although the unthinking man does not appreciate this fact. He tries to build a business upon the shallow foundation which he sees, without providing caissons that go down to the solid rock. He overlooks the fact that back of and under every great success there are years of right thinking and right doing—cemented columns of honest effort and honest dealing—which, like massive piers of concrete, will sustain that business from generation to generation.



Edward B. Butler



EDWARD B. BUTLER

President, Butler Brothers

VII

HOW SIX PROPRIETORS MADE GOOD

By Don E. Mowry

TRAMP down Main street in any one of a thousand American cities or towns. Right and left, at hand or across the way, your eye is caught, your interest captured, by three, five, perhaps a dozen, stores. Their fronts are modern; the window displays fresh; you'll find wares and prices equally alluring. Often as not the owner himself will wait on you. His cordial manner, his salesmanship, impress you; perhaps you purchase something you did not know you wanted.

As a business man, you seek to learn the reason. "Why has this man succeeded?" you ask. "What ideas or personal qualities have shaped this business? What is his plan?" Question him; he gives you an off-hand opinion. Go back again and again, start him thinking and analyzing, and you'll dig out the true fact story of his success.

Such are the six fact stories which follow here. Several business men in one city of twenty-five thousand tell them. Young men, all—young businesses, too—they were chosen for analysis: first, because they are going and growing; second, because their builders owe nothing to outside influences, and third, because each man had a plan, a definite idea shaping and inspiring his work. Back of the success of these men lie the fundamental

reasons for all business success. Their problems are your problems; their solutions may suggest the creative idea or impulse your business needs.

THE REAL ESTATE DEALER: *Beginning as a stranger in a small city, and in debt one thousand dollars, he cleared twenty-five thousand dollars in three and a half years by analyzing his market and rightly managing the financial end of his business.*

Without a dollar, I came to this city three and one-half years ago. In fact, I was in debt a thousand dollars on account of sickness in my family. I came here because I saw that the location was my real capital. The city, lying between two lakes, must grow at the ends, if at all. The rate of increase in population I found to be about thirteen hundred people a year.

There were plenty of real estate men in the city at the time I arrived. For this reason, as well as for others, I started out, perforce, in a small way. I first bought a house on a five dollar option and sold it before my option expired, making ninety-eight dollars on the venture. My next transaction netted me three hundred dollars.

In the course of a year several moneyed men who saw that I was making my "deals" go, asked me to float their suburban land proposition. By hard work—and it was mighty hard work to look after the details—I carried this first big deal through successfully.

My next move was to interest men with capital in suburban tracts which would eventually be required for city lots. Not a single real estate man had ventured to market property in the outskirts of the city. They unanimously predicted my failure and said I was undertaking more than I could handle. These older real estate men

did not see the advantage of my locations; they did not realize that the city had to grow in the direction of my proposed tracts. The average man in this city saw that here was an opportunity to get a lot for a home at a reasonable figure. That my plan was successful is proved by the fact that these land purchases netted my investors from seventy-five to a hundred and fifty per cent.

In these first suburban-tract deals I received an effective jolt. I discovered that I was making a large profit for my investors but only a small commission for myself. Further than that, these very investors to whom I had brought large financial returns, did not leave their money with me for future investment. They either invested it in bonds, mortgages or other securities or were satisfied to leave it in the banks.

I organized my own investment company, incorporated it, put myself and my small office force on a salary basis and began operations. The lake shore around the city was occupied by a few of the townspeople in the summer months, and at that time a number of cottages had been erected. I bought up as much of the lake shore as I could handle alone and interested a number of business men to take stock in my company. Then we bought more lake shore property. You will be surprised to know that a lake lot, fifty by one hundred and twenty feet, within five miles of the city, costs from nine hundred to fourteen hundred dollars today. All of which indicates that others were quick to see the strategy of location when it was called to their attention.

I have been given interests in other land companies for my part in promoting them. These interests, together with the shares which I hold in my own company, comprise my assets. My corporation has a paid-in capital stock of sixty-eight thousand dollars, has paid

fifteen per cent dividends in fifteen months and has a surplus of seventeen thousand dollars at the present time. In the three and a half years that I have been in business in this city I have made for my investors over one hundred thousand dollars, and I am safe in saying that I am worth twenty-five thousand dollars in cash today. I employ seven agents who handle different tracts under my directions.

There are a number of successful real estate men in this city, men who have been in business here for a good many years. I believe that my success in just three and one-half years was largely due to the fact that I saw the strategic trend of the city's growth and planned accordingly.

THE SHOE MERCHANT: *Starting in without funds except for savings from his salary as a clerk, in six years he owned two stores carrying stocks worth twenty thousand dollars. His successful executive policies arranged his customers in classes according to their wants and bought quick-selling stocks to fit these definite needs.*

A clerkship in this store was my beginning in business. My brother, who was a traveling man, told me of the opportunity. I came here and went to work on a salary.

After six years the owner of the store wanted to sell out. He carried a seven thousand dollar stock. I could not buy it all, and I believed that I wanted only four thousand dollars' worth. Our trade did not call for the kind of goods represented by the other three thousand dollars. So I offered to buy what I knew I could sell. My employer accepted. I had one thousand dollars of my own, and I borrowed the rest, my relatives signing my paper as security. My present stock in this store is not less than ten thousand dollars.

As a clerk I wondered why my employer would not consider the offerings of other salesmen who came into the store. He had his way of buying from houses that had treated him well, and he did not care to change. I adopted the policy of listening to every salesman who came to sell me a bill of goods. As a result I have taken on several new lines which are remarkable "trade pullers." Then, the advantage of comparing prices and values has been another element which has helped me build up my present business.

I saw that, with greater buying power, I could get better prices. The city of my nativity, fifty miles away, where most of my relatives are living, seemed to offer an opening for a shoe store that carried many lines. I started a store there three years ago and was able to obtain most of the stock on time from the houses with which I was doing business.

I determine values by comparison in selecting my lines. I take the trade papers and am well versed in leathers. I also follow the market. I decide upon my styles by keeping the customers in mind. I never buy merely because I am told that an article will be a seller. I figure that out for myself. Often I ask for a special assortment and insist upon it.

I make my stores attractive, display my shoes in boxes with my own label on them, and conduct regular season-end sales. I try to give the trade what it wants. On a number of occasions I have told customers that I did not think they wanted a certain pair of shoes which they had asked for and I explained why.

This may seem like "poor policy" to some, but I have made good on it during the past six years.

I handle shoes ranging in price from two dollars to eight dollars a pair. To the better class of trade I do

not hesitate to speak of the superior wearing qualities of the higher priced shoes.

If the right location can be found, I will open up a third store. I am now in a position to do this with my own capital. My head clerk here has proved himself reliable. I am going to give him the managership.

THE CIGAR DEALER: *His initial capital was three years' experience as a salesman, and with it he has built up a trade, which, after four years, nets him over \$2,500 annually. He found that retail management requires that you place your store in the right place and then fill it with stock fitted carefully to the demand of the prospects who pass this place.*

After clerking three years in the largest tobacco shop in this city, I decided to go into business for myself. I secured a location—a store on a side street where cigars and tobacco had been sold for some time—went deep into debt to buy my stock, and opened up for business.

I sold more tobacco than my predecessor had done, but the stand did not draw; at least, that is what I concluded. Then I analyzed my sales and found that while the stand had a large tobacco trade (in which there is very little profit), the cigar end of the business was not what it should be. I stuck to the location for another year and lost in all during the two years that I was there three thousand dollars.

Then I bestirred myself to find a new location on the main street. I was able to secure a well-lighted store in the very heart of the traffic of this city, where there is a good deal of transient trade. I had no difficulty in selling my old store for about what I paid.

I have been in the new location two years. My profits for the last year were twenty-five hundred dollars. The present stand is the only one within a radius of three

blocks, and I am sure to make even more money in the future. I have stocked up on several high-grade brands and I get the box trade of this city. No one had ever made a systematic campaign for this business. I find that men who buy cigars by the box will buy a good brand if it is called to their attention.

While there is not a great deal in the box trade, there is an important advertising asset in it. Mr. Brown, for example, who is a business man, has bought my cigars and has spoken to his friends of the special brand that he likes. I know this because customers ask for the "cigar that Mr. Brown smokes." I have been able to have my goods advertised in this way.

It took me four years to find out that, to make a cigar stand a paying proposition, I must locate in the place where people pass many times daily. Transient trade is often the life of a retail cigar business.

THE CLOTHIERS: *They had a ten thousand dollar stock at the start—half borrowed and half saved from salaries as clerks. Their firm netted fourteen thousand dollars the first two years. They found that as an executive each fitted best at the manager's desk in the department about which he knew most. Then they coupled this specialized ability with unusual buying facilities.*

Five of us, young men, appreciating that we had reached our limit working for the big store in this city, decided to start in business for ourselves. When an opportunity to locate on the main street presented itself, we took immediate advantage of it. To overcome the high rent, we leased the entire building and sublet the upper floors.

We incorporated for ten thousand dollars, half of which was subscribed by an outside man who was and is in the clothing business in another city. This step en-

abled us to get an inside tip on buying, because this man operates six stores. The other five thousand dollars came from our savings. We are now in our third year. Our net income for the first two years in business was fourteen thousand dollars.

Our success is due to the capitalization of our own personalities and our ability as buyers of saleable goods.

Each of us, when in the big store, supervised a special department. When we started our own store, each of us became the head of his special department. I knew the most about the buying, so I took that end of the business. At the same time I always give the department head his voice in the matter. Another man is in complete charge of the haberdashery department; he does all of the buying for that department because he knows most about it.

A third member of our firm is card writer and window decorator and is an expert in the boys' department. The fourth man devotes his time to the books and handles the advertising. The fifth man looks after the clothing department and hires the help. Each one of us brought his quota of strength and stability into the business and made it possible for us to start out without hiring any clerks at a high salary.

The buying power was likewise an important asset. Most of the clothing stores in this city have secured exclusive lines because they are old firms of long standing. By arrangement with the out-of-town clothing merchant (or silent partner) we were able to get staples which we could not have obtained if we had not formed the alliance. A shirt, for example, well advertised, was handled by the big store. The trade wanted that shirt. How could we get it? Through our outside man who was operating six big stores in a city of five hundred thou-

sand inhabitants, we found the way.

Did our local competitors complain to the manufacturer? Yes. What did the manufacturer say? "We can not turn down a man like Mr. Williams, who operates six stores." Result: we got the shirt. Such was the case with many other articles that we wanted to handle. We are able to get our staples and even our special goods, suits and underwear at figures that are putting our competitors in a secondary position. We advertise our superior buying power—a power that enables us to give greater values for less money. And we are getting the crowd.

THE FURNITURE DEALER: *With one thousand five hundred dollars as a starting bank account, he built up in eighteen months annual gross sales of fifteen thousand dollars. He decided upon definite management policies in his buying, selling and advertising.*

As local manager for a syndicate of manufacturers, I learned a lot about selling and local conditions here. When these men disagreed and the chain of stores was given up, this store was on a paying basis. I decided to reopen at the old stand. I had fifteen hundred dollars of my own and used over half of it to remodel the place. Despite my small capital, I have built up a fifteen thousand dollar business in a year and a half.

This is how I did it:

First: I displayed prominently a few articles of the first quality and kept plenty of cheaper goods in the background.

Second: I made my buying policy essential. Factories that made furniture with individuality and "selling points," often give a special price to introduce their goods.

A concern in the East manufactures articles similar to

those made at Grand Rapids. This eastern concern was not represented in this section, and I was able to secure the line on consignment at a reasonable saving.

In this way my big savings have been made in buying. I aimed to get good furniture from manufacturers who were not represented in this locality.

Third: My store is small, somewhat crowded, but the articles move rapidly. This makes an impression on those who call. The arrangement makes the visitor interested. People look at the goods and often buy articles which they never intended to buy when they came into the store. Instead of using three floors, as several of my competitors have, I keep everything in sight on one floor only. Thus the customers get ideas for purchases.

Fourth: In selling, I hold the prospect until I know what he wants, what he feels that he can pay, and where he wants to put the article which he intends to buy. Then I find out what he has already in the room at home. This helps to make a satisfied customer and sell goods.

Fifth: In advertising in the local papers I never say anything unless I have something to offer. There is always a "special" connected with all of my advertising. I never advertise the arrival of a certain line. When I advertise a line, for example, I have a special in that line at a marked saving.

THE ELEVATOR MANUFACTURERS: *Launching out with only their savings—little more than ten thousand dollars—a salesman and an engineer established a paying business. Their executive methods for handling their market, fixing their standards, analyzing their product and selecting a location for their factory, guided them to success.*

Definite plans sometimes go to pieces in the face of circumstances. My partner and I had laid out a careful program for the starting of our business when oppor-

tunity came along and telescoped it. He was a shop foreman who had plugged through an engineering course by night study, and I was a special salesman for a big transmission machinery house. We were close friends, and for a long time it was understood that sooner or later, when the chance came, we would launch out for ourselves together.

We had only what we had saved from our salaries (about five thousand apiece), and we knew that wouldn't go far in starting a business. So we decided to limit ourselves to one circumscribed field and make good in that before we branched out into others. I knew elevating machinery from the ground up. Neither my own firm nor any of its competitors had a line that couldn't be bettered and made more cheaply. Most of the stuff had been designed originally for special jobs and later made a part of the regular line. In consequence, many of the parts were twice as heavy as they needed to be. The idea of getting into the game myself came to me; in fact, after I had tried a dozen times to get our house to redesign our whole line in order to cut production costs and turn out uniform equipment.

The house refused, and after talking the thing over for about a year, my partner and I agreed that we'd use my idea for the cornerstone of our venture. There was no hurry—the longer we put off starting the more capital we would have—and we put in our spare time designing and redesigning the machinery we proposed to build. I knew elevator conditions, while his work and study had made him a sound engineer. We kept three things in mind—the work the machinery must do, cost of production and ease of installing it. We made provision for strength and efficiency first; then analyzed each part from the shop side to get simplicity and re-

duce cost both of materials and labor. We kept a draftsman busy six months on outfits for small and medium-sized elevators. Then, when we were sure we were right, we had our patterns made and even selected or designed the machine tools, jigs and gauges we would need. This preliminary work cost us nearly three thousand dollars.

We were keeping in touch with the towns on the lookout for new industries, though we could see no immediate prospect for starting. Then while my partner was up in South Dakota attending a funeral, he got wind of a new string of elevators some Minneapolis men were thinking of building. There would be twenty-two of these, and all but four of them were of capacities which our ready-to-build machinery would fit. He hurried home with the news. After a lot of hard thinking, we decided to pass up our leisurely program and, if we could land the contract, to launch our business right away. We would need some one big job like this to establish us; the opportunity was too good to lose. I had a frank talk with our manager. He tried to dissuade me, but in the end allowed me to resign.

I landed the Minneapolis crowd. We had to give a stiff bond as security for fulfilment of the contract. But the order was ours, the paper profit looked good and we were launched.

Making good on that contract established us in the trade. The time and care we spent on our designs, too, have paid big dividends; our production costs are lower than the average and the clean symmetry of our outfits is a strong selling point.

What brought us to success? Four things, I think. Choice of a special field not pre-empted by any other firm, and concentration on that field. Analysis of con-

ditions and the designing of our product, not merely to satisfy those conditions, but also to create better conditions. The fixing of standards—not only from the quality and performance side—but also from the cost and production angles. Choice of a location, lastly—also a factor where a man's personality counts for and supplements his capital.



SUCCESSFUL founders of business have been those men who have radiated their personalities through the structures of trade which they built. Their policies and their methods thus were given additional momentum and their personal magnetism became an instrument unifying employees and attracting customers. This power has caused every employee in such an establishment to give to the business and to his particular work the best there was in him. And the man who can secure that individual effort, general team work and loyalty from those he employs is the man who wins. For a great machine is the more nearly perfect as its every part, even the smallest wheel or rod, moves in unison and with the least possible friction.

—George H. Barbour

First Vice-President, Michigan Stove Company

VIII

HOW I WENT INTO BUSINESS FOR MYSELF

By

Albert Hoefeld, President, Albert Hoefeld Incorporated
Vincent C. Price, Founder, Price Baking Powder Company
Joseph E. Haskell, President Haskell Brothers
Benjamin F. DeMuth, Formerly of DeMuth and Company

WHEN you pass John Wanamaker's great stores, or Claflin's large warehouses, or McCormick's widespreading factories—their bigness repels you. "What can I learn from them—they are so large?" you ask.

But they and all other of America's industries had a beginning—a small one always, and probably not more than a generation away. How they started—that can give you suggestions and help in your work today.

So four successful, self-made business builders in various lines here tell you the opportunity and incentive that led them to break away from the employee ranks and go into business for themselves, the training and policies and methods that made it possible for them to win success.

Not men whose business climbs into tens of millions of dollars and thousands of workmen have been selected to tell these stories, but those whose business are of a size that will afford you a model, a plan and method for your own business.

And these concerns are on the "firing line" today. What they are accomplishing can be analyzed for your needs,

your contingencies and your problems today. For in no feature are things so similar as in their beginnings. They shoot off in all directions, at every angle, but the start is pretty much from the same point. So the stories of these beginners in business may show you that your conditions are right for starting a business, a new department, a different line of work.

ALBERT HOEFELD: *Twenty-five years ago Mr. Hoefeld was a clerk in a hat store. Today he owns four large men's furnishings stores, located on four of Chicago's busiest downtown corners. In a line where competition is keen and margins small, he has built up a large business with a selling force of fifty men and has become a power in the men's furnishings trade of the city.*

A quarter of a century ago I came to Chicago from Germany, where I was born. For a while I worked for a clothing manufacturer. But that didn't offer me the experience I wished. I had my purpose: some day I intended to go into business for myself. To do that I needed to learn how to sell goods.

I talked about this ambition of mine with my friend Mr. Lelewer, the hatter. He offered me a place in his store.

This was really the beginning of my business career, for only then did I begin to acquire the experience that enabled me to carry on a business afterward. The store had a men's furnishings department, and to that end of the business I gave most attention.

As I look back I can see that I was different from many clerks. I was eager to learn, for I had a definite aim. For instance, I undertook at once to trim windows—something which most clerks avoid because they don't want to be kept in the store until ten or eleven at night. They think they aren't hired for this. With me it wasn't

a question of what I was hired for; it was a question of how much I could learn.

I was on the lookout, too, for ideas. I remember that I conceived the plan of installing apparatus for ironing silk hats, instead of sending them out. This idea enabled us to keep fifty cents in the drawer for every hat we ironed, instead of turning it over to somebody else. Just such things as these gave me the confidence of my employer, and in six months I was doing all the buying for the furnishings department.

This department became too big for our quarters and we leased another store for it, at 130 Dearborn Street. There never was any question as to who should run the new store. Although my employer had men who had been in his service longer than I, he offered me the position—on either a salary or a commission basis.

"I'll take the commission," I told him. It was almost like being in business for myself. To all intents, I was proprietor, and most of our customers supposed me to be.

Our rent was soon after this raised from \$3,300 to \$4,800. We considered this exorbitant and refused to renew the lease. I thought this a good time to start out for myself in reality, but when I brought it up to Mr. Lelewer he made an offer which I accepted; the business was to be conducted in the old name, but I was to be a partner, with the privilege of taking complete control as soon as I wanted it.

We found a location on La Salle Street, just south of Madison, and moved there. A year later we moved around the corner to a Madison street frontage we had leased a year in advance, not being able to get it at first, and later we occupied the corner basement store.

Meanwhile I found myself able to take over the busi-

ness. We took stock; I had \$3,000 in it and Mr. Lelewer \$1,500. Then one after another, I have opened three large stores, in addition to my first quarters, which I still occupy.

But success in business is not merely a matter of getting started. I did go into business on the right basis. I took all the steps that proper experience and testing require—first as a salaried clerk, then a department manager, next on a commission basis, then as a partner, finally as controlling owner. But after I went in business for myself, I had to learn to run it.

I have always conducted my business on the theory that merchandise is not the best liquid asset, and that it is bad policy for a merchant to tie up all his resources in that way. Since my second year, I have religiously withdrawn a fair proportion of my profits and invested it in securities. In an emergency, I could get money immediately by sacrificing a little, say ten per cent. But if I had only merchandise I would have to sacrifice fifty per cent or more.

I borrow at times, but never for the purposes of expansion. For example, goods are sold, say at six-ten, or five-thirty. By paying thirty days before due, I can save five per cent in that period, while I can borrow at the bank at five per cent per annum. Or, by taking advantage of datings I get goods in March, say, dated May 1. By the latter date, I will have sold a lot of them, without having paid out any money.

These are advantages of credit, and credit has been one of my fundamental principles since the beginning. A merchant is always ahead of the game, instead of behind it, when his credit is good and he knows he can meet every promise. If I have \$10,000 in cash in the fall, I buy bonds with it, instead of leaving it in my

bank account until spring. Then I borrow from the bank to buy my spring goods.

By starting this plan at the foundation of a business it works automatically, provided the business is paying at all, and the surplus expands along with the business. The reserve ought to grow as fast as the store. In my own business, I aim to keep the surplus liberal. At times it has exceeded the sum I had in my business. There would be fewer failures if merchants would check the tendency to let their businesses run away with them.

In starting my stores, I have always sought good locations. I believe in getting into the heart of things—going where the markets are. Originally, I intended to establish my business in Seattle, but Mr. Lelewer dissuaded me. “You can do anything in Chicago that you can do in Seattle,” he said.

His advice was sound. Men sometimes run away from their opportunities, imagining that somewhere else they will find big profits and smooth sailing. Where there are people and markets for goods, a merchant can sell.

VINCENT C. PRICE: *Over a half century ago Dr. Price gave up the practice of medicine in New York state to become a chemist, and from that he graduated into the manufacture of a baking powder. This he developed into one of the largest industries of its kind; then he sold this business, which began in a kitchen, for a million and a half dollars and went into the manufacture of other food products.*

It was a necessity of the kitchen that led to the founding of my business, and which led, ultimately, to the largest profits ever made from a single factory product.

When I was studying pharmacy at Troy, New York, my mother suffered from dyspepsia. She could not eat yeast bread, so I gave my attention to discovering a sub-

stitute. The result was my baking powder. I did not then contemplate its manufacture for sale, but I began to make it in small quantities at my laboratory in Troy. I sold it only in bulk, and in a minor way, for several years; but the impression was growing on me that I had an article of real value in the household, and I decided to go west where the opportunity would be better. I thought Chicago too big for my resources, so I selected Waukegan, Illinois.

I had three thousand dollars in cash, which had come to me through relatives. I rented a small building and began, for the first time, to make baking powder as a business. I was sure of my product, for it had proved itself countless times.

But against my own confidence was arrayed absolute indifference on the part of the public. My markets were wholly undeveloped, my name was unknown, and success was dependent on building up a desire for my product. How to do this was the problem.

One day I put up a lot of samples in envelopes, each sufficient for one quart of flour, and went to Milwaukee. I visited all the hotels and left my samples with the cooks, without charge. Then I canvassed the principal grocery stores and distributed more samples, to be given away to customers. I talked with the grocers and told them that if they would follow the thing up, they would make money by it. I explained the advantages of my product over the slow-rising yeast, and predicted a big demand as soon as housewives began to realize what it meant to them. Of course I did not dream, then, of the tremendous success that was to come, but I did feel sure of building a good business.

Within a few days I heard from the Milwaukee hotels. They wanted more of the baking powder. Orders from

grocers followed speedily. Then I got out more samples, hiring men to distribute them. I began to circularize, too. I kept up both plans steadily, enlarging my sphere of action as the orders increased.

During the succeeding two years I made a little money over operating and living expenses. Both of these items were extremely low. If I had not kept them down to bed-rock, I could not have continued. I was resolved to keep the business within its income, no matter how low that income might be. But I continued pounding away at the trade, and kept out of debt. And all the time the orders increased.

Later I decided that Chicago was the best field. The city, not the country, I had discovered, took most kindly to my article. So I moved my little plant there, and continued the same line of campaign—samples, circulars, and personal solicitation.

Then next I began advertising in the newspapers. I was cautious at first, though ultimately I spent three or four million dollars for space.

At the time I began to advertise, I had a partner who did not believe in this form of campaign. He thought it was throwing away money. As we could not agree, I bought him out. To me, publicity had always seemed the logical way, provided it was consistent with the resources of the business itself. And newspaper space was merely an expansion of my circularization policy, on which I had largely built the business. However, I did not believe in plunging. My great volume of publicity grew as the business grew. In my other and later enterprises—flavoring extracts and cereal foods—I have followed the same policy of working along the lines of least resistance. For example, if I found Texas the most susceptible to a campaign or product, I devoted

my energies to Texas and left Chicago for a later period.

Finally I sold out for \$1,500,000, but since then the consolidated companies have developed the field in an extraordinary manner, and have taken out of it in profits more in a year than I received for the business.

The underlying element in my success lay in having a product of real benefit to mankind, and in making the price low enough to be within the reach of rich and poor. My greatest obstacle was to convince people that my article really was a benefit. I would not have succeeded without confidence in my goods and patience and persistence, and a steadfast resolution to make every step pay for itself before I took another.

I believe that most men fail because they try to do too much. They are not satisfied to start in a small way, and to develop a business consistently. They begin with impossible expenses and a top-heavy organization, and are swamped before they get their markets. And quite as important as anything, they are not content to live according to their business.

JOSEPH E. HASKELL: *Right after the Civil War, Joseph E. Haskell and his brother took their capital of one hundred and fifty dollars and started a little trunk factory in a basement. Quality in product, square treatment, holding expenses down, keeping expansion within the bounds of credit—these things built the business.*

In my youthful days I worked at various occupations—farming, milling—and in a trunk factory. It was my work here that turned my thoughts toward the opportunity in this business.

It was at the close of the Civil War, and there was an immense demand for trunks of the cheaper kinds. Soldiers were returning to their homes and spending their money liberally. My brother and I, together, had

less than one hundred and fifty dollars capital. He was a salesman; I a practical trunk maker.

We believed the market was at hand, our joint knowledge of the business and experience adequate, our opportunity favorable. So we started a little shop in a basement. I was the only workman—my brother the only salesman.

Our early obstacles lay in obtaining the confidence of customers and creditors. There is only one way to do this: avoid everything that savors of untruth or trickery. Little things count big sometimes. And a little over-shrewdness toward a customer will destroy his confidence. I believe that one of the hardest battles a young house can have is to eliminate everything savoring of sharp practice. Many a business fails because of the cumulative effect of these little things—often laughed at when they occur, as very good jokes.

Quality alone builds confidence—the only guarantee of permanent business. Once, for instance, a customer, ordering twenty salesmen's trunks, said to us: "We will pay you three dollars a trunk more than your price; put the extra money into the goods." No specifications were given us for additional outlay; we were trusted to produce the quality. Of course, the class of trade must be considered, but other things being equal, quality is most important. If your product is right, your business will grow without any haggling over prices. And to maintain quality, everlasting watchfulness is necessary. I work as hard now as I did at the beginning.

We expanded our business as it grew—and only as it grew, always having cash to swing it, never borrowing any capital. I have observed that prosperity ruins more men than it benefits. As soon as they see things coming their way, they begin to plunge, and get in too deep.

They don't seem to be able to plan consistently. Either they go into debt, in order to make bigger profits, or they begin to take life easy.

I have noticed this often in partnerships; one partner would be left to carry the burden largely alone while the other took extended pleasure trips. The stay-at-home partner, naturally, resents the situation and relaxes his own attention. The result is indifferent methods, deteriorating products, and loss of standing and trade. Poorly matched partners cause many failures.

Expense was an item we watched closely at the beginning, both in business and personal items. Extravagance at home is sure to be reflected in the store or factory. I believed in saving at least twenty-five cents on every dollar I earned. I see men all around me who are not determined, safe, stable; they can't hold themselves down to any particular plan. Such a man should not go into business for himself, for then he has no one to hold him to his course.

There are two main factors to success: first, the opportunity; second, the ability to follow it up. Some men can't realize an opportunity, while others who are competent to succeed lack the chance.

BENJAMIN F. DeMUTH: *Forty-five years ago, at the age of fourteen, Mr. DeMuth started working. As retail clerk, partner, traveling salesman, store manager and owner of his own store for a quarter of a century, he has learned the ins and outs of doing business and the principles of safe retailing.*

When I was a boy I worked a year in a tanyard in my native town in Ohio. Then for four years I clerked in a shoe store. With five hundred dollars I had saved I went to Mt. Vernon, Ohio, and helped establish a retail shoe business. My partner put in three thousand five

hundred dollars, but he had no knowledge of the shoe trade, so the profits were divided equally.

We did well, but before long my partner decided that he knew as much as I about the business. He proposed that I put in five hundred dollars additional and that he draw out five hundred dollars, making my interest one thousand dollars and his three thousand dollars; then he wanted three-quarters of the profits.

But I have always considered knowledge valuable, and I had spent years in the shoe and leather industry. I knew all the processes through which the raw materials went, and understood how shoes were made and how they were sold. I knew clerks who had worked twenty years in shoe stores without even knowing on which side leather was blackened. I refused this partnership plan and sold my interest to him, so that he might have all the profits. I was not surprised later to learn of his failure.

I went to Cleveland to get work, securing it in a shoe store at ten dollars a week. I slept in the store, swept it out at six in the morning, paid three dollars a week for my board, and saved money. I was ambitious to get up in the shoe business, and I took particular pains to oblige customers and gain their good will. I had many regular patrons, who always asked to have me wait on them. In those days we did not deliver shoes, and I remember going often in the evening to make a delivery of my own volition.

It was these methods that got me a better position, and ultimately attracted the attention of John H. Hanan, the Brooklyn shoe manufacturer. After eight years in Cleveland, I went to Cincinnati and started a shoe department in a big store. Then I went on the road for Mr. Hanan. But this calling did not

suit me. The opportunities were not big enough, and I was forced to waste time that I considered valuable.

My resolution crystallized one morning in Richmond, Indiana. I finished my business, and had to wait until evening for a train to Indianapolis. As I sat in the lobby, idling away the hours, I made up my mind that I would get into a business where I could make every day count. I had stood this loafing job as long as I could.

When I got back to headquarters I told Mr. Hanan my decision. He had been on the road, and he agreed with me. He said he would back me in going into business for myself and proposed that we both go to Chicago at once and select a location, for he believed the opening in Chicago good. We acted on the plan, arrived in Chicago early one morning, and found a store before we had breakfast.

I proved the opportunity, and afterward, opened another store in Cleveland—the finest in the city. It was the proudest day of my life when my first Cleveland employer came in to see me.

The only policy for a merchant to follow is to carry full quality and never try to fool the people. I know a shoe dealer who always put his best-looking shoes in the window, regardless of what he had in stock. Then when customers came in, he would have to tell them, often, that the line was broken and he didn't have their size in that particular shoe, but that he had other shoes—and so on.

I always say to my men: "Take shoes out of the window the moment you find we cannot supply people who are attracted by them."

Another policy is truthfulness—to self as well as to customers. I never tried to hoodwink myself into be-

neving things I knew were not so.' For example, some merchants count their profits even though they turn around and put the money back into goods. But when you analyze the proposition, you must see that profit is not a profit when it is locked up in stock. Men will tell you how much money they have made in a year, and when you ask them where it is they will turn proudly and point to an immense lot of merchandise. It may be a prospective profit, but not a real profit. Let some stringency strike them, or a fire, or any one of a dozen misfortunes, and that boasted profit is wiped out.

Some stores carry twice the stock they should. I can put my finger on merchants who have goods that have been on their shelves six or eight years. And when they invested some of their earnings in that stock, they merely credited profit and loss account with what they considered net gain. This is the sort of fallacy that inflates a business like a balloon. It may look like a solid, dependable mass, when in reality it is largely gas.

I believe I succeeded by keeping down to realities. I have kept my stock fresh, paid cash, taken a proportion of my profits out of my business, stretched a point in favor of customers, advertised, and maintained a good location. And business has come to me because customers got what they wanted from me.



CULTIVATE the company of successful men. Choose, particularly, the men who have made their mark in the business which you have undertaken. By rubbing shoulders with them you will absorb ideas which will help you up and by the light of their experience you will be able to avoid many of the pitfalls about you.

—Henry Hewitt

President, Hewitt Land Company

THE OLDEST STORE IN NEW YORK

(DESCRIBED IN CHAPTER IX)

Seventy-odd years ago the New York directory showed the names of five hundred and seventy-one retail grocery stores. Today there is left only one which has been doing business continuously and under the same name during the seventy years. It is New York's oldest grocery store.

There are reasons behind this single success—the reasons that underlie all successful merchandising and are as adaptable to business today as yesterday. Finding the grocers of New York reaching out for trade no farther than the limits of their own narrow neighborhoods, these two partners decided to compete for the business of the entire city. Finding that poor goods were constantly being sold to customers by other stores, they decided that they would lose a customer rather than work off a poor article. Finding, finally, that other stores made no attempt to give service beyond what was absolutely required, they determined to do everything in their power to draw trade through unusual attention given to every customer.

Starting out as clerks working in the store from five-thirty in the morning until ten o'clock at night, these young men, Park and Tilford, launched out for themselves against the advice of their employer. They began at once to tell housewives about themselves, and quickly won an enviable reputation among people who appreciate quality in goods and excellence in service. Today the name of their firm, three quarters of a century old, appears on store fronts in all parts of New York City.

The story of this exceptional firm points for you the "how" back of the five executive policies that made its success, and which are essential to every lasting retail business, and describes methods for actually putting them into practice.

IX

THE POLICY BEHIND NEW YORK'S OLDEST STORE

By Edward Mott Woolley

TWO grocery clerks were about to start in business. They regretted that they knew so little about the other grocers of their city, New York. Their friendly employer, interested, offered this advice:

"Don't trouble yourself about them. Not more than three or four of them, right in your neighborhood, can possibly be your competitors. Confine your attention to these."

The two young partners discussed this advice.

"I wouldn't start in business," said one, "if I really believed I'd be so insignificant that only three or four groceries would consider me a rival. I'm going after every one of the five hundred and seventy in this city,"

This was over seventy years ago, in New York City. Three years before, this young man had come up from the country and had gone to work in Benjamin Albro's store at 268 Grand street. Two years later the second youth became a clerk in the same store. And a year later the two opened a grocery of their own at 25 Carmine street—the five hundred and seventy-first grocery store in New York.

One of the partners had been storing up ideas during his apprenticeship. But working hours of five-thirty to ten leave little time for outside investigation. Now, in

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spite of his old employer's advice, he began to study the other fellow. For the next few months he spent all his spare time visiting grocery stores in the guise of a customer.

FAILING to find a New York grocery that was right, Joseph Park and John M. Tilford evolved service principles that have endured in their stores.

His final conclusions he stated to his partner:

"I haven't yet found a store that does things *right*. In the first place, these New York grocers are not good buyers. They go on the principle that they can work the stuff off, even if they do get a lot of undesirable goods. When they buy, they have no standard.

"In the second place, they don't make their stores attractive. The people must have groceries, and they buy where they find it most convenient; but there isn't a store in the lot that offers any particular incentive to attract customers from outside its own little district.

"In the third place, they don't all treat their customers right; some misrepresent, adulterate goods, make promises without any intention of keeping them. They *hustle* to sell goods, but they let their customers look out for their own interests. They don't get into the right *touch* with people."

So here, at the start, the partners, Joseph Park and John M. Tilford, laid down the principles that have governed the business for seventy years. And within a year or two of that beginning, the store did have among its competitors a large number of groceries. Over a considerable portion of New York the people had learned that this store was a desirable place to trade when a particular quality of goods was imperative, or when some special service was necessary. And now this

store competes with nearly every grocery in the metropolis, for the name of Park & Tilford is on not less than nine branches.

How did the New York buying public acquire this information?

The partners' scheme was *personal touch*. Refusing to consider their territory limited to a few blocks about their store, they sent men out to ask for trade, to talk to the housewives. In this way, they demonstrated first that their store was more than a local institution. And for sixty-five years afterward, this was the way they conducted an ever-expanding advertising campaign. This is the way they conduct it today; for, while they now use printer's ink, their printed advertising is built on and adapted to their old method of personal touch.

The five chief essentials of acquiring publicity *by personal touch*, as defined by the management, are these:

First—Dependable quality of goods to be handled.

Second—An attractive store, but not "repellently attractive."

Third—Reliable men to come in contact with the firm's customers.

Fourth—An adequate and aggressive system of personal contact.

Fifth—Absolutely reliable service.

The methods by which these principles have been carried out are here analyzed. And a policy and methods which have built up the one business which has survived for seventy years, must afford ideas and suggestions that every merchant can apply in his own business.

The first point—quality of goods handled—was one of the most difficult the original founders had to attain. Having announced this essential as one of their standards, they found they had to fight for it. As buyers,

they quickly got the reputation of being cranks.

Unable to sell inferior goods to this firm, certain dealers saw the opportunity to build up a trade in superior goods. The standard was fixed for them to reach and they began to match it. Then, the firm was no longer on the defensive.

Today the head of the firm carries this principle to its utmost. He refuses to handle goods on experiment and, having established brands which he knows to be uniform and reliable, he is extremely slow to change. If there is experimenting to be done, it is not the firm's customers who are asked to do it.

RIGHT *quality at a price the consumer can pay and goods that appeal to different classes—these are fundamental in the Park and Tilford policies.*

To uphold such uniformity of product, a fixed system is needed. The manufacturers and wholesalers who supply the house are kept up to standard by a system of purchase inspection in which there must be no element of chance.

All goods are checked immediately upon their receipt for quality and quantity. If there is anything about the goods that raises even the possibility of doubt on the part of the testers or inspectors, the articles in question are sent to their respective floors, where they are again carefully examined by special experts.

All general lines—staple groceries, canned goods, coffees, teas, raisins and every other food product except brands of prominent manufacturers advertised by brand name—are mercilessly examined, and must meet quality of previous grades or original samples submitted, and must rank in their respective grade. If not, they are rejected. The same careful examination is made of spe-

cialties—cigars, for instance.

The firm realizes that high quality cannot be secured merely by the request of the buyer. The inspecting and testing system must supplement the mere policy.

There is another element, too, that enters into this matter of buying high qualities—keeping price down. The mere buying of high quality is no advantage to the merchant unless he can buy for the same price that another house pays for inferior quality. Expertness and a knowledge of markets enable close buying.

The firm considers its retail selling price quite as important as the buying price; to charge more than a price prevailing throughout the city is considered an offense equal to selling inferior quality—an offense that operates directly against the firm's policy.

In attaining the second essential to publicity by personal touch—an attractive store—a long study in effects has been made by an analysis of the question:

“What is the real definition of an attractive store?”

This depends first on the people to be attracted. A grocery window filled exclusively with table luxuries, within the reach of the rich only, might make a pleasing display from an esthetic standpoint, but it would not attract a general business to the interior of the store. A shoe window showing only patent-leather goods would scarcely draw the man who wanted a pair of heavy water-proof shoes.

If a house has only the one class of customers, and wants no others, then window display becomes simplified. But if it has various classes, the question is one of determining what sort of window will attract buyers as a whole. The window-trimmer must put himself in the mental aspect of the average person outside who pauses to see the display. If this person is a rich man,

will he be impressed with the fact that here is a store where he can procure not only the luxuries he desires, but the more modest necessities, as well? If he be a man of the average, will he be frightened away by the sumptuousness of the window?

Although catering to the high-class trade of New York, the firm looks to the upper well-to-do class for a large percentage of its support. It is apparent, therefore, that a really attractive store, from the standpoint of business making, must not appeal to one class to the exclusion of the other.

The same truth applies to the interior of the store. It is far from the purpose of the business to make the stores museums of high-priced articles. Experiments along both these lines have demonstrated in dollars and cents the drawing power and repelling power of interior store arrangement. A happy medium has been found to lie in the blending of various classes of goods, so that all prospective buyers would be attracted.

In deciding these questions, the rule is adopted to make the firm's stores a reflection of the truth. The firm sells both classes of trade and a store, like a person, may carry too boastful an atmosphere.

CLEANLINESS *in the store and care in the selection of the men who meet customers have been essential factors in making the Park and Tilford groceries successful.*

Another element to the attractive store often neglected by grocery houses has been considered: punctilious cleanliness. Not only is it the object to display the goods attractively, but to handle them attractively. Cheese, for example, is cut on a marble counter, and is wrapped in oiled parchment paper, without being unnecessarily handled. Oiled paper is placed against the butter and

the cut portion is turned on paper and wrapped without coming in contact with the hands. Knives are cleaned constantly, scoops continually burnished, and other implements and receptacles kept immaculately. In the bottle-washing room, after being cleansed, every bottle must pass inspection before a gas jet. And this policy of spectacular cleanliness is made to include the employees who handle the goods.

This is really part of the third essential—quality in the men who are to come in contact with the firm's customers. And the firm's employees are the medium for reaching the fourth essential—an adequate system of personal contact. In extending business through personal touch with the public, the firm looked beyond mere amiability and diplomatic handling of people. The system was also aggressive, creative, business-building.

Today the firm's personal-touch business getters are of two classes—solicitors of new customers, and solicitors of the daily order from existing customers.

Between seven-thirty and eight o'clock every weekday morning, this quiet but aggressive power is set at work among the homes of New York.

This staff penetrates to the kitchens of the metropolis. Today the most exclusive homes open to them. But this end has not been easily achieved. If the aggregate history could be written of the seventy years of battling for business by this laborious personal touch, the sum total of discouragement and rebuff would be enormous.

The solicitors of new trade are an organization by themselves, devoting all their time to this work, while the other class of solicitors—the order-takers who visit customers already secured—are called upon at times in the double capacity of taking orders and canvassing neighborhoods for new customers.

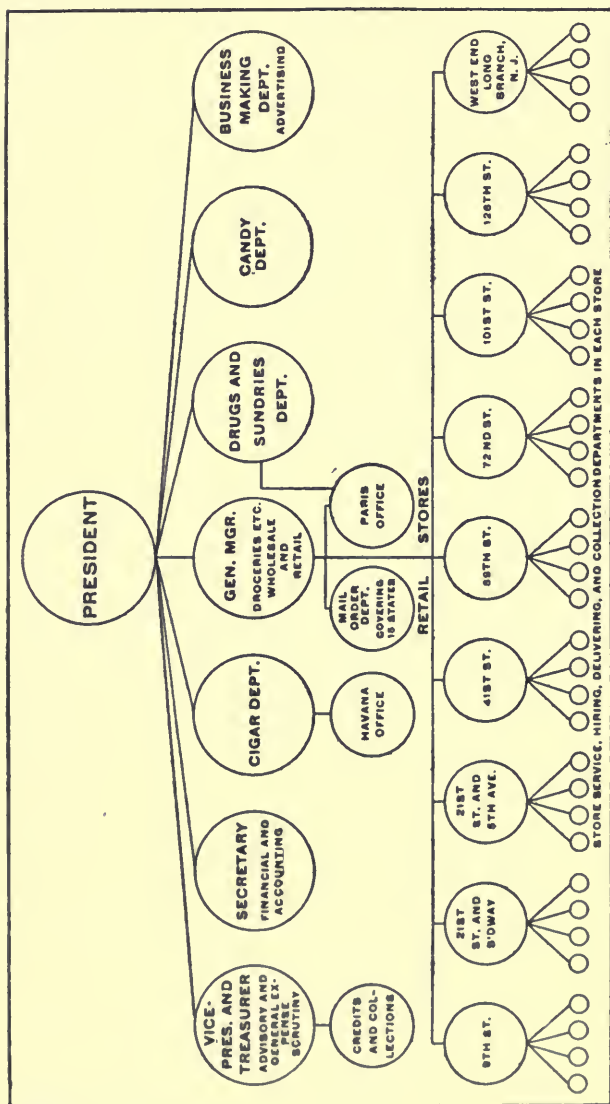


FIGURE IX: Organization in the Park and Tilford stores is pictured in this chart. Although these stores are scattered all over the city, the management of them is highly centralized

Solicitors do not carry samples, but take out the general catalog as a guide and argument. In this catalog a system of grouping is followed that begins the list with things used for breakfast and ends it with desserts. The reader goes through the articles in logical sequence, without a confusion of products. An index also supplements this arrangement. As fast as the solicitors turn in the names of prospects and customers, catalogs are mailed to them. New accounts are very closely followed up, both by correspondence and personal calls; the idea is to develop the legitimate purchasing ability of each customer to its maximum.

In the selection of solicitors the greatest care is maintained. They are classed as salesmen, subject to all the requirements of a difficult art. They are required to know the firm's goods as accurately as a road salesman should know his line. Any misstatement is an unpardonable offense, and in conflict with basic policy.

But this *securing* of business by personal touch is only the beginning of the firm's system of extending publicity by its intimate and satisfying contact with customers. Having obtained the order or secured the new customer, the next step is to fill the order—fulfil the promise on which it was gained.

The firm has always felt that this is the most important function of a business. Many houses neglect it; often extraordinary laxity is manifested.

The purpose has been to give the delivery system the rigidity and elaborateness of a railway train schedule—and it is probably better lived up to.

This delivery system handles daily an average of about 25,000 separate orders in New York, not including the extensive mail-order business. The Seventy-second Street store has made deliveries in one day of 3,500

orders. Each store maintains its own delivery organization, with its exact routes and time-tables. How precisely these routes are laid down is shown by the following schedule of a wagon operating in Brooklyn and Greenpoint:

"Beginning at Houston Street ferry, Grand Street to 51 Broadway, to Kent Avenue and Eighth Street, Wilson Street, Penn Street, Flushing Avenue, to 750 Park Avenue, to 708 Green Avenue, to 567 Putnam Avenue, to 202 McDonough Street. Turn to 1719 Fulton Street, to 465 Halsey Street, from 502 to 836 Hancock Street, 517 to 850 Madison Street, 703 to 854 Gates Avenue, 780 to 980 Lafayette Avenue, 449 to 1089 Broadway, to 543 Grant Street, to 50 Brunswick Avenue, to 200 Graham Avenue, from 215 to 500 Driggs Avenue, to 980 Lorimer Street, to 835 Manhattan Avenue, from 1 to 250 Greenpoint Avenue, Java Street, Eagle Street, to Greenpoint Avenue, to Twenty-third Street ferry.

This one wagon repeats this trip continually. At any given point on the route the housekeeper, when she learns the schedule, need not trouble herself with fretful watchings.

"A trained and pleasant-mannered solicitor is a definite force in securing the right sort of publicity," said an executive of the house. "But the cheery voice of the delivery man, as he deposits bundles on the kitchen table at the time prescribed, is far more potent."

Working on these principles, the business grew rapidly, not as a department store grows, but by closer, more intimate personal touch with the people. The policy was the reverse of that of a department store—the reverse of concentration.

From the beginning the firm went to the people, sought them out in person and wove its business among them. In 1847 the business had outgrown its original quarters, and a larger establishment was opened at Ninth street and Sixth avenue. Here the headquarters re-

maintained for more than ten years, when the first Broadway store was established. Between that time and this, new stores have been opened to keep pace with the northward growth of New York.

The well-knit and effective organization of the house—as shown on the chart—has been a factor in its success. But only as it has carried out its policies. And so of the greatest significance to every merchant and worthy of study are the five factors that have made this success, because they are absolutely known to be the causes of the growth of this business. No printer's ink advertising was done until five years ago. Not that this disparages advertising. For as a store official said, "Our success would doubtless have been much greater and earlier had we advertised all along."

And yet these retailers have always advertised; they have kept in touch with the public. They have carried quality goods and given good service—and have told the buying public about them. They have gone out looking for the buyer and forced this story on him—they have made good on this service.

That is advertising. And it is just as ready for you and usable by you, no matter what or where you sell as the columns of your local paper.



HUMAN beings are not like merchandise, nor are they to be handled as merchandise. Dealing with the purchasing public is a problem in personality, and it is through the point of contact, wherever it may be, at the counter, through correspondence or whatever the service rendered, that the favorable impressions are created which ultimately constitute one of the firm's greatest assets.

—Henry C. Lytton
President, The Hub, Chicago

SELFRIDGE'S, THE STORE THAT STARTED BIG

(DESCRIBED IN CHAPTER X)

"Begin small; grow big—slowly," is a joremost precept of business.

But there was started in London a business that began big; a business which on its first day of operation occupied a specially constructed building of five stories with six acres of floor space; with a thousand employees behind its counters, at its desks, in its warerooms; with two million dollars' worth of goods on its shelves ready for buyers; with a policy and plan of organization definitely laid out for it. A thousand details had to be looked after and focused on that one opening day.

Service was the policy back of this enterprise and foremost in the mind of its founder, H. Gordon Selfridge. To the English public his idea was revolutionary and in marked contrast to the policies prevalent in other English stores. At first it was hard for Londoners to believe that he practised all he claimed, but his insistence on the word "service" has after several years won the hearty support of the public, and now other stores are following in his lead. His business is probably growing at a faster pace than any other big London store, and is producing deserved profits for the founder.

"Selfridge's, London" was a unique venture; an organization intended not only to achieve greatness, but to be born great. To be put into effect at all, the idea required a most careful plan. How this plan was worked out successfully, how the doors of this great store came to be thrown open on the appointed day to the waiting public, is told in this chapter, partly in the words of Mr. Selfridge himself.

X

BUILDING A BUSINESS TO ORDER

From an Interview Given by H. Gordon Selfridge,
Managing Director, Selfridge and Company

IN a small suite of offices on Oxford street, in London, a business builder planned for two years. Planned the opening of a retail store which should stand among the world's greatest on the first day of its existence—working out, one by one, the problems and details of its organization and policy: that was H. Gordon Selfridge's two years' work. And these plans culminated in the opening of Selfridge and Company, London, to London's buying public.

The experience in business and retailing on which basis Mr. Selfridge planned is the first stage in this story of a business built to order. Over twenty-five years ago Mr. Selfridge came from a country village to Chicago. He started working in a retail store as an office boy. Ten years later he was manager of the store; and ten years after that he was managing partner of the world's greatest retail institution—the house of Marshall Field and Company.

This was the basis of experience behind Mr. Selfridge when he determined to open a great retail store in London. The initial step was to determine the policy of the store. First and foremost it is to be emphasized that the Selfridge store is an English store, designed to appeal to the English public, manned by an English staff. It is

not an American dry goods store set up in London.

Mr. Selfridge has never been a narrow retailer. He had bought and sold products from all corners of the entire world; he had bought from people of all nationalities; he had sold to people of all classes. So first he studied the conditions of the field he was to enter; the market and, most important of all, the national characteristics of his prospective clientele. Every city has its different business customers, its own type of buying public. By observation, by study, the merchant must grow to know what the public with which he is concerned likes in his line; what they might prefer, what they have been accustomed to; he must grow, in a word, to be one of the public himself.

SECURING the confidence and friendship of the buying public is a cornerstone in the Selfridge policy which has started a retail business big.

What perhaps is the prime principle of his policy, Mr. Selfridge expresses this way: "Get the confidence of the public and you will have no difficulty in getting their patronage. Inspire your whole force with the right spirit of service; encourage every sign of the true spirit. So display and advertise wares that customers shall buy with understanding. Treat them as guests when they come and when they go, whether or not they buy. Give them all that can be given fairly on the principle that to him that giveth shall be given. Remember always that the recollection of quality remains long after the price is forgotten. Then your business will prosper by a natural process."

"When I was a boy, and newly entered to my firm, I was told to make out a bill against a railroad company for some sheeting damaged in transit. A few days later

my chief sent for me and brought the matter up.

“‘Young man,’ he said, ‘you have done something I want you never to do again. The bill you made out should have been for the cost of the sheeting to us; not for our selling price.’

“The small difference never would have been discovered by the railroad company, and many merchants would have considered it legitimate, for it would hardly cover our expense in insuring and handling. But I have never forgotten the justice of my old chief’s reprimand, and the wisdom of his words.”

Because of his anxiety to serve his clientele in the light of his twenty-five years’ experience in the possibilities of retail development, many innovations unknown to the British shopper mark the Selfridge service.

English stores were usually from first to last, “sales-rooms.” No individual was welcome there unless he or she had something to spend and wanted to spend it. They were closed houses to the general public, and to return a purchase to one of these stores was to court trouble unless you had some specially good reason to offer.

On these two points, at least, Mr. Selfridge’s service is different. “The open door” is the first principle. “Money back without question” is another. Points of this kind distinguished his store service over the retailing methods to which he first offered competition.

A beautiful home, an efficient staff, a perfect stock, will not win dividends if the confidence of the public is not obtained. Mr. Selfridge holds that the most expensive and destructive thing a merchant can do is to fool the public or even give the buyer the impression that he is being mistreated. He quotes this saying of the Indians: “If white man fool Indian once, shame on

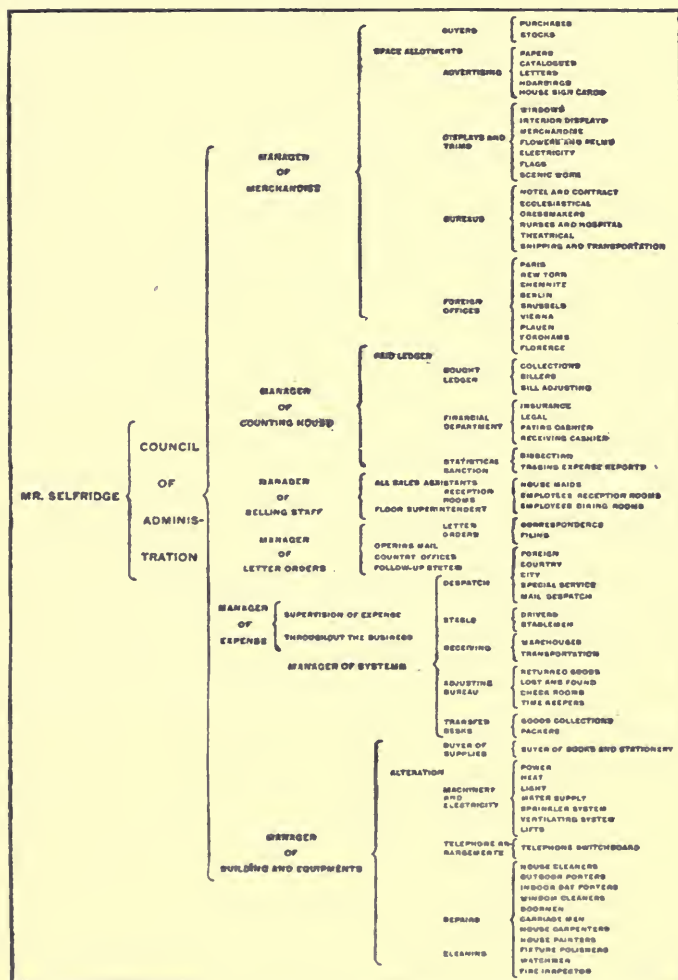


FIGURE X: On the opening day this business was completely organized. The chart shows how Mr. Selfridge keeps in direct touch with his organization through the seven administrative officers

white man. If he fool Indian twice, shame on Indian."

The policy determined, the next step was to build a home for the business. And here, too, aside from the modern type of construction and the speed records broken in building, the constant end in view was service to the customer. Here is a building which covers nearly the entire area of a city block, facing on three streets. Its five stories rise to the limit of height allowed by the London County Council. Down three more stories it extends to a lofty basement under the whole building; to a second basement for warehousing under half the area; and to the power plant and machinery rooms still lower in the third basement.

The plans once determined and the ground leases of the site secured, the work of construction was done in record time. In a little less than a year the building was ready for occupancy.

EFFECTIVE *organization has made possible the development of "the Selfridge idea" into the great London concern which it has now succeeded in becoming.*

In the meantime the plan of organization was being determined and its personnel gathered. The first step was departmentalization.

On the wall of Mr. Selfridge's office hangs a chart. It resembles the pedigree of a gigantic family. It is labelled "Chart of Organization." Mr. Selfridge says: "It stands for system. It represents a big retail emporium scientized—a word as yet in no dictionary."

At the head of the organization is Mr. Selfridge, the managing director. Under him the business is divided into seven departments with seven managers—manager of merchandising, manager of the accounting staff, manager of the selling staff, manager of expense, manager of

mail orders, manager of systems, manager of building and equipment. The endeavor in this organization chart is to make system play its vital part in the management of the entire business; to miss the placing of no detail; to leave nothing just to happen, and to concentrate all responsibility.

From these seven department managers descend the various sub-departments with their heads and their assistants, to the lowest rank. The accompanying chart shows how the various activities and the minutest details of the business group themselves under the proper heads. Departmental responsibility is absolute. Every detail in each of the seven departments is handled exclusively through the manager in charge. Any suggestions or instructions relating to any of these departments that may emanate from Mr. Selfridge are given to the manager of the department. In this way each head is made to feel his responsibility for his work.

And in planning this organization Mr. Selfridge has placed "men" first. He has spent more time and thought on getting the right men for the right jobs than on any other detail of his business.

"The most difficult branch of the art of selecting men," he says, "is to find a man for a new position. Chance sometimes helps here—as when I first hit upon the idea of having a manager of expense and was seeking my pioneer economist. One day, passing through a workroom, my eye lit upon a home-made set of pigeon-holes. It transpired that one of the assistants, who was responsible for selling clippings of cloth to the ragman, had devised the pigeon-holes as a means of sorting clippings according to their values—in order to gain higher prices. The idea was his own, and had been carried out on his own initiative.

"From the moment that I discovered this, the new post of manager of expense was filled. Economies began forthwith. Dropped pins were picked up, and in one department alone this resulted in a monthly saving of seventy shillings. String was no longer wasted in the wrapping department, and the monthly string bill was reduced by half. In three months the manager of expense saved the firm hundreds of pounds."

Buying the merchandise was a simple problem. The policy of the store determined and the personnel of the organization gathered together, it became simply a matter of the same routine that a retail buyer goes through every day, except that every department man had at this one time to purchase every line and every article in his stock, and he had to see that they were delivered at approximately the same time. The advertising campaign hinged upon the day-to-day developments.

"The culminating point in the planning of this huge organization," said Mr. Selfridge, "was the time when the doors were thrown open to the public—when life was breathed into the dormant organization—when the public was invited to enter into possession of the building that had been erected for its benefit. We wanted the public to realize that this magnificent building is theirs—not the merchandise, of course, though that can be theirs by purchase—but the facilities and the service it represents. That was the climax of the great game."



THE leader who can imbue an army of workers with a spirit of earnest fidelity to duty, an unanswering desire to do the necessary thing, and to do it always with animation, kindness, courtesy and good cheer, is entitled to rank with the large men of earth.

—James Logan

Chairman, Executive Board, United States Envelope Company

ZALMON G. SIMMONS

(CONTRIBUTOR OF CHAPTER XI,
"SIXTY YEARS IN THE MARKET PLACE.")

First as a merchant, Mr. Simmons showed that determination and clean enthusiasm, backed by ability, count heavily for success. With fourteen months' training and two hundred dollars in cash, he bought a fourteen thousand dollar store on credit and paid for it from the profits.

Then he carried his high standards and "never say die" resolution into other activities. He rescued from hopeless bankruptcy the railroad to which the fortunes of his town were bound; he covered the Northwest with a web of telegraph wires—twenty thousand miles in all—developing a four million dollar property from an investment of five hundred dollars. For thirty-eight years he was a bank president. And he built—a business man's daring flight into the spectacular—the remarkable cog railway up Pike's Peak. Last of all, he founded a prosperous manufacturing firm.

His flash of inspiration, given life by his determination, in 1856, first fused the railroad and the telegraph and opened to both the way to their present tremendous expansion. The telegraph had been invented two decades, but was still generally unprofitable. He made it pay, and transportation, trade and industry began a new epoch in America.

In his chapter, Mr. Simmons points the why back of his success, and in the telling not only weaves a remarkable story of the country's development, but, perhaps unconsciously, shows you the dependency of success in management on the intangible qualities of strong determination and enthusiastic resolution. As a boy Simmons was sent to collect a bill. The debtor offered him a valuable, but untamed, cow in payment, on condition that it be taken into market. The future manager of millions drove that cow, which the debtor thought he could not master, about a field until it was too exhausted to break for its shed—it took hours, far on into the night—yet the beast did go to market. So steady, purposeful resolution was constantly woven into all his plans as a business builder.

XI

SIXTY YEARS IN THE MARKET PLACE

By Zalmon G. Simmons

Founder, Simmons Manufacturing Company

L UCK has been a partner in my enterprises, friends have often told me. Casting back over my sixty years in business, it is not hard to understand their conclusion. Opportunity has beckoned me into several fields not very closely related; despite the general belief that a merchant or manufacturer does well to stick to his special activity, a measure of success has attended me in each. My own idea is that this luck has really been persistence, coupled with a fairly active mind and a habit of analysis. Whatever struck me as offering a chance, I looked into carefully. Whatever I undertook, I carried to completion.

Business appealed to me early. As a boy and young man I farmed and taught school in pioneer Wisconsin—my time and labor, as was then the custom, belonging to my father during my minority. The very day I came of age, however, I went to work as clerk in a Kenosha store and began to study buying and selling as other young fellows read law or medicine.

Seth Doane was my first and only employer. We had talked over my desire to get into business several times and he had promised to give me a job when I was my own man. Naturally, wages had not been mentioned. And when I claimed a place on my twenty-first birth-

day and asked two hundred dollars a year, Mr. Doane expressed surprise.

"See that clerk in there?" We were on the front porch; he pointed to a young man arranging stock inside. "I pay him twelve dollars a month, and he's a good clerk. How does that strike you?"

"I guess you pay him what he is worth," I answered. I wanted to work for Mr. Doane, but I felt that I could earn two hundred dollars a year and I stood out for that figure. My tenacity won a conditional victory. Mr. Doane agreed to put off the question of pay for three months. If I could show that I was worth two hundred dollars a year I was to get it.

I got it and I believe I earned it. Eight months after I entered his employ, Mr. Doane fell ill and unloaded practically all his duties on me. For six months I was his manager, running the business, reporting to him daily, having his advice on every knotty point, checking up my own ideas on buying, selling and the like against his experience.

WITH a capital of only two hundred dollars, Mr. Simmons made his first personal venture—principles of service and merchandising that made him successful.

Then, believing that he could not recover, he offered to sell me the store. It was worth the fourteen thousand dollars he asked: while my savings were exactly two hundred dollars. Mr. Doane proposed to take my notes for the purchase price, with interest at twelve per cent. It was an unusual chance, a short cut to an established business, but the risk was enormous. Had I learned enough, in my brief period of training, to conduct such a big store, with virtually no capital to safeguard me against mistakes and with heavy payments due

yearly on interest and principal? Balancing the opportunity against the danger, I decided that I could handle the thing and signed the notes.

When I began selling dry goods and groceries in Kenosha, the code of the horse trader extended to all sorts of transactions. The general attitude was indicated by the phrase so often applied to the successful individual—"a shrewd business man." If he could keep clear of legal tangles, the morality of his actions was not seriously questioned. There were many and shining exceptions, of course; men in every community whose integrity was invincible and whose example helped to put trading on a higher plane. Men, too, like Cyrus McCormick, whose faith in their fellows was to be expressed in credits running into millions of dollars to obscure buyers of reapers. They demonstrated to every one the cash value of a good name, and by vigorous collections the difficulty of escaping settlements.

I discovered, during my first year with Mr. Doane, that collections presented one of the dealer's most serious problems. It was easy to sell seasonable goods if you were willing to extend credit; it was hard to draw the line between the honest man whose lack of prudence and foresight would lead him to buy more than he could pay for and the morally irresponsible who would carry off everything he could secure on any terms but cash. The first man simply needed help in wise buying and opportune paying: the other man was a plague even when he paid cash. Exhausting his harvest money in a few weeks, he went around abusing the storekeeper "who took his money when he had it, but let him starve when he was strapped."

One of the Kenosha hotelkeepers belonged to the honest optimist class. Mr. Doane in going over his books

drew my attention to this man's account and asked me to try to collect it. The amount was nearly two hundred dollars. Mr. Doane had exhausted his own resources without securing any result.

I made out a bill and called on Mr. R—— the next morning, when he was sure to be disengaged. He greeted me affably, and was not a bit taken aback when I presented my memorandum of the debt.

"That's all right, Mr. Simmons," he declared, "Tell Mr. Doane I'm going to pay him just as soon as I get the money."

"Mr. Doane knows that," I assured him. I had decided that only untiring patience would serve my purpose. "He doesn't want you to pay one cent before you're able and ready to settle. But he has turned this part of the business over to me and I want you to let me come up to see you now and then. Not to hurry you, understand; just to be on the spot when you want to pay something on the account."

R—— laughed.

"Come as often as you like," he said. "I'll be glad to see you."

That permission was my first object. Next day I returned; again the second day; and then daily for a couple of weeks, I stopped in at the hotel and had a little chat with my delinquent. I tried to be agreeable and made no mention of the bill except just as I was leaving each time. This amused my man at first, but the hotel was something of a lounging place and folk began to notice the regularity of my calls—probably commented on them. Finally R—— lost his urbanity and asked me point blank what I meant and how long I intended to call on him.

This, too, I had counted on. I reminded him of his

invitation and told him that I would continue to present myself every day until he paid up. I was deferential but firm. He had no excuse for anger: but then and thereafter it was evident that my visits wore on his nerves.

The comedy lasted about two months. He brought things to a focus one day by asking: "You're going to keep on coming here until I pay that bill?"

I answered yes.

"How long do you expect to live?"

I had fair expectations of life, I explained. At least I hoped to live long enough to find him with some money he could spare.

He frowned, but surrendered. He paid me ten dollars and I credited it on the bill. Next day I returned. He didn't relish my appearance so soon, but I was friendly and he contained himself. Within a week he made a second payment: then as rapidly as he could get the money he cleared off the debt. That was my first organized "follow-up." Its outcome confirmed my faith in persistence and good temper as the readiest weapons in the business armory.

LOOKING *back over a stormy period in American business history, Mr. Simmons concludes that optimism is the only possible outlook for the future.*

Optimism is the only outlook possible to a man who has spent sixty years in American business. Our remarkable development in transportation, trade and industry has been accomplished in spite of real difficulties. It is significant—and prophetic, I think, of yet greater advances—that this development has been attended by revolutionary betterments in methods and processes, by remarkable economies in materials, labor, energy and

capital. Likewise, that no emergency or disaster has found the business men of the whole country or of any community unable to cope with it; unable to improvise a remedy and in time work out a permanent cure.

We have made mistakes, it is true. We have moved too fast at times. We have had many men who broke into new fields and lost their bearings, so far as safety for their ventures or justice to their fellows were concerned. We have had panics and periods of depression. But I have learned, from observation and experience, that panics are not unmixed evils. From each of them we learn something that helps us to carry on our affairs more cheaply or more securely in the years that follow. The price is high, but the knowledge is worth buying; we learn more in a year of restricted sales and profits about the essentials of our undertakings than twenty prosperous years would teach us.

The man, the house or the community that has weathered one panic works on a safer basis ever afterwards. In fact, I am not sure that we do not need occasional panics to test the fabric of our trade and industry and apply brakes at intervals to our initiative and energy. American men are producers—men of action. They begin earlier than the men of any other nation; they work harder and faster: they hang on longer and by force of courage and energy they get results. Their fault is ambition—the desire to grow—impatience with the thing they have accomplished. They want expansion—greater volume. They are bound to get it, too. They are fortunate if a period of stringency comes along before they have outgrown their capital, the ability of their organizations or their natural markets, to enforce the lesson of safe building and balance in their ventures.

American business has never failed to adapt itself to

conditions and even generate new power from handicaps. Take our currency, for example. In my store-keeping days even a cash business was attended by annoyance and serious risks.

Every one seems agreed that our present currency system needs reforming. Comparing present conditions, however, with those I recall in "wild cat" and "stump tail" times and in the chaotic era which preceded them, the disadvantages under which trade labored then seem appalling. When you have to exchange commodities for bank notes or scrip which may suffer a big decline in value before you can pass them along to some one else, the whole fabric of trade and industry rests upon a shaky foundation.

George B. Smith, Chicago's first banker and the creator of honest money and business standards in the West, helped us out of our first slough of "wild cat" money, personal scrip and due bills, with his issue of bank and insurance notes always worth their face value. These formed the one stable element in our circulation until state laws allowed the chartering of banks and the issue of notes secured by state bonds.

Even the lack of sound money, however, has not compelled a halt. I happened to be in New York when the fall of Fort Sumter began the Civil War. I had a draft for one thousand five hundred dollars on the bank at Rahway, New Jersey. I knew the president, Mr. Price, very well and on my way home I stopped to get the money. I asked for notes on his bank, as I had confidence in him and it. To my surprise he refused. "I can't give you bills," he explained. "I have been calling in all my bank notes until I can see what effect this war is going to have, and I shall not issue any until I know. All I have is gold and silver."

Now, one thousand five hundred dollars in silver struck me as too big a load. I objected. We compromised finally: he gave me seven hundred and fifty dollars in gold and fifteen hundred new half dollars.

That was the last real money I saw for seventeen years. The government suspended specie payments December 30, 1861. Immediately the gold and silver in the country disappeared as completely as if it had been sunk in mid-ocean. For a while we had no medium of exchange except the "stump tail" currency of the state banks and due bills issued by individuals and firms. Then came the flood of greenbacks from the government presses: shipped out in big packing cases like so much calico.

The national bank act hurried in a new era, but one still fraught with danger to business. Values were based on gold, a commodity constantly fluctuating in price. The circulating medium—though bank notes secured by government bonds or directly by the country's credit—rose and fell in purchasing power in inverse ratio to the rise or fall in the price of gold. This introduced into even the smallest retail business as well as the greatest undertaking a speculative element which operated against stability and efficiency and made expansion dangerous. Until the resumption of specie payments in 1879 there was no escape from this speculative condition: the best a business man could do was to discount its perils and keep his margin of safety large enough to meet the morrow's chances. Looking backward, indeed, the fact impresses itself that our currency system has always limped far in the rear of our business development. Then the fault was lack of stability. And when stability had been secured by a slow, costly and painful process of evolution, lack of elasticity developed.

Charles Sholes, brother of the typewriter inventor,

was one of my customers. He owned half of the stock of the Wisconsin State Telegraph Company, then operating a line between Milwaukee and Madison. In common with other telegraph lines in the west, it was losing money and Mr. Sholes was trying to get rid of it. He had promised to settle his bill at the store when he closed the sale of his stock. The deal falling through, he asked for further time, explaining his difficulty. Yielding to the fascination the telegraph had always exerted over me, I offered to buy his stock.

WHEN *every one else was scoffing at the telegraph, this business man looked into the future and founded a fortune on what he was able to see there.*

So important a means of communication, it seemed to me, must be susceptible of development and management on a paying basis. Mr. Sholes accepted my offer and transferred his interest to me for five hundred dollars, only a fraction of the cost of construction. My bargain, I soon discovered, was a white elephant. Not enough messages were sent to pay operating expenses: business men had not yet learned to use the lines. My task was to cut expenditures squarely in two or find some new use for my wires and operators.

Revolving my dilemma, it struck me that the railroads ought to employ my service in handling their traffic. The telegraph would enable headquarters to keep in touch with trains out along the line, to give conductors running orders, to meet emergencies, to frame up a schedule much faster than the current, go-it-blind method allowed. I carried the idea to E. H. Goodrich, the president and manager of the road from Milwaukee to Prairie du Chien. He derided it.

"Preposterous," he said. "The idea of trusting a

railroad train to telegraphic orders! I'd be sent to an asylum if I attempted a thing like that."

I hung on, however. The scheme was so safe and simple; it met the needs of the railroad and my own necessity to reduce expenses so exactly that I was sure it would succeed. In the end Goodrich capitulated and agreed to try the plan on one hundred miles of his road between Milwaukee and Portage. Literally, it proved itself in a day. Goodrich gave me no peace until I carried my wires to Prairie du Chien.

"We've got to have the telegraph," he declared. "Between here and Portage, it's daylight and safety. Beyond Portage it's midnight until the train returns and reports itself safe."

That was the beginning of a quarter century given chiefly to the extension of the telegraph. I sold the store to my brother, my construction work leaving no time to give it the personal attention which, I had learned, was the basis of success in merchandising. With the railroads eager to cooperate, the opportunities in the telegraph were endless. Virtually our outlay ended with the establishing of the lines. The contracts gave us a free right of way and provided for all minor repairs by section gangs. The operators were paid by the railroads and we received all the money for commercial messages. When these reached twenty a day we agreed to start a company office. Later when our lines began to cover the whole northwest, the railroads were given franking privileges up to a certain amount each year, not only over our lines but those of other systems with which we had reciprocal agreements.

With one exception, marrying railroads and telegraphs was to be my sole business for many years. I borrowed money and strung wires wherever the iron rails led and

traffic promised. I organized the Northwestern Telegraph Company and effected a connection at Chicago with the Western Union, which Hiram Sibley and J. H. Wade of Cleveland had evolved from a tangle of wild cat lines in Ohio, Indiana and Michigan, rehabilitating the best of them. Pushing on to Minneapolis, I went thence to the coast along the Northern Pacific and up into Canada.

In all I built twenty thousand miles and managed the Northwestern for twenty-five years. But the value of my original idea—cooperation with the railroads—outweighed all my later service. It bridged the barren years when trade and industry were learning to utilize, but failing to support the new engine of communication. It freed the railroads from guesswork and initiated modern railroading.

It was not a march from success to success by any means. At one time the Minneapolis office, for instance, would have been closed but for a citizens' subscription to pay the operator's salary. But progress was fairly uniform. The important lines were built along railroads; the only exception being the line from Minneapolis to Winnipeg, then Ft. Geary, the stockaded trading post of the Hudson Bay Company. This I constructed along the old trail of the Red River carts through the woods and across the prairies. Even that was not a speculation, our contract with the H. B. C. guaranteeing us profits from the outset. When I retired from the Northwestern presidency to manage my manufacturing business at Kenosha, the Northwestern had one thousand eight hundred offices, three hundred of them supported by commercial messages, the others operated in conjunction with the railroads. My original investment of five hundred dollars had grown to be a

four million dollar property.

From telegraphs to railroads was only a step. I took it when the presidency of the Kenosha, Rockford and Rock Island was practically forced upon me. The road was bankrupt, its stock subscription exhausted, an issue of \$500,000 bonds already made and no money left to buy the forty miles of railroad iron needed to connect up the two strips of track already built. A number of Kenosha men were interested in it: my recent success in the telegraph game inspired in them the hope that I could save their investment or at least finish the road. That was the main idea, to finish the road. The men who built it were more interested in the development of their country than in the prospective profits. I yielded to their arguments.

LIGHT and dark hours in the varied career of a business man—*Mr. Simmons finds that credit can make or break the business man's ambitions.*

To secure rails for that forty miles was the first task. With letters of introduction I went to Philadelphia, where I finally settled on two Quaker iron brokers as the men most likely to furnish me the iron. They couldn't see my proposition—a sale on long-time credit, with no money down—but they asked me to dinner and we learned to like one another. They gave me no encouragement, but I hung on for two weeks. Finally they capitulated. They would supply my iron on two conditions. First, they stipulated that I should personally indorse the road's notes given in payment; second, that I should stick to the road until the debt was satisfied. The conditions were strenuous; they required me to assume the whole thing as a personal obligation. But no other course was open: I consented.

The war began before the last spikes were driven in July, 1861. By a coincidence, our first trains were run to a stockholders' meeting at Harvard, midway between the terminals, on the day Bull Run was fought. Four hundred stockholders were present, but the shadow of the Union defeat was on the meeting, Mr. Sholes having telegraphed the news to me from Kenosha. When the proposal to assess the stockholders \$250,000 to supply equipment and start operations was put to vote, only one ballot was cast for it—and that was mine. We had a railroad, but no rolling stock, and no one wanted to buy any. Finally they voted to turn the road over to me bodily and begged me to equip and start it.

That was my dark hour. I was bankrupt, though no one knew it. I owed \$150,000. Because of my obligations I had not answered President Lincoln's first call for volunteers. Now I knew I could never answer the call, except in dishonor. I rode back to Kenosha, seated on a keg on one of our flat cars, as near despair as I have ever been. That night I did not sleep; the one possible solution of my dilemma was so unreasonable.

The only recourse was an appeal to our bondholders to allow a prior lien to cover the equipment. The majority of the bondholders lived in Newark; thither I went to try to persuade them. They refused. I repeated tactics which had won at Philadelphia, but this was a harder, a more desperate fight. In the end, my persistence won. My absolute control of the road no doubt helped to persuade them to my aid. They voted the prior lien; \$200,000 in bonds were sold, the road equipped and operation begun.

Like most new roads, however, earnings were slow to increase. I paid the Quaker's notes as they matured, out of my telegraph profits. It cost me \$100,000 cash to

protect my credit in this railroad venture. I had learned, however, that credit was a more valuable asset than capital, and I paid the price without regret.

Credit is a business tool we have not all learned to use yet. Here is its drawback: the tax trade and industry pay every time we have a period of depression. We are only one generation away from the time when gold commanded an enormous premium and enriched those who had the craft to hoard it beforehand. The instinct of distrust is still strong in us, and the temptation to withdraw our money at the first hint of danger hardly to be resisted.

The consequence, of course, is a period of stringency, which lasts until the restoration of confidence—the return to the saner belief that money is worth no more than the things it will buy—groceries, furniture, real estate, bank credit. In time, I believe, we will outgrow even these temporary reversions to the outlook and the business code in force when credit, for the majority, meant a thing to be distrusted in the giving or abused in the receiving quite as often as to be used as a means of mutual profit and advantage. I believe that panics help more than they harm, working individual hardship but compelling business to go down to bed rock, to cut out the non-essentials, and to correct inefficient methods which hinder progress even in prosperous years.

Going back to those first years, it seems as if business had been born and had grown up under my eyes.

Time lost in traveling was only one of the transportation handicaps. Buying twice a year, the merchant of that time was called upon to gauge the probable needs of his patrons during a winter which might be long or short, mild or severe. On his forecast depended in large measure the fortunes of the season. Re-orders were out

of the question after navigation closed: to exhaust his stock in any staple line was as serious an error as to load up with goods which he could not move in time to meet the notes given to his jobbers. Insufficient stock sacrificed profits and sent regular customers elsewhere: too generous purchases left him at the season's close with most of his capital locked up in stock to be carried over. The limitations this semi-annual buying put on the retailer were many and serious. He was forced to buy gross or half-gross lots of a single staple article, where now a dealer buys in dozens and lays in several related or contrasting lines. The investment was about the same, but the retailer today can stimulate sales by offering choice of many articles.

Yet I have observed not a few young storekeepers and many long established in business, who have not learned how to use the tremendous advantages modern transportation and trade conditions offer. /

They buy the bulk of a season's supplies at one time when right use of their capital and prudent merchandising both ordain weekly or monthly orders. They have not learned the lesson that the busy dollar alone earns profits and that the development of transportation and communication makes necessary, as well as possible, the frequent turning of a retail stock.



EVERY *great business man had a beginning of his career sometime—usually a humble one. No man should admit even to himself that he has not the makings of a future captain of industry.*

—Harlow E. Bundy

General Manager, International Time Recorder Company

HARLOW N. HIGINBOTHAM

(CONTRIBUTOR OF CHAPTER XII)

When, toward the close of the last century, Marshall Field needed brains and money, junior partnerships in his company were offered to a remarkable group of young men. Mr. Field picked these partners with money as a secondary consideration, and measured only the value of the benefits they could bring to the business. Like Mr. Field, they had all started as clerks and demonstrated their ability.

Harlow N. Higinbotham was the first of the young men to come into a junior partnership. He was marked by Mr. Field as a man "possessing one of the most analytical minds I have ever met." Since Mr. Field was the merchant and others handled the financing, there gravitated toward Mr. Higinbotham the work of handling the credits. And in a new country and during the early days of a business, the making of credits is one of the most important functions of the house, for in it is bound the institution's entire attitude toward customers.

Mr. Higinbotham's early work crystallized principles which have since ruled the credit department of the house. He had two main objects: first, to make his credits safely; second, to develop the firm's customers and the country reached by the firm.

Marshall Field & Company, through its credit policy and attitude toward retailers, probably did more in the last century than any other commercial institution in the country to build up the West and develop business strength there. It started businesses; it "carried" men; it directly interested itself in counties, states and sections of the country.

While guiding this influence, Mr. Higinbotham looked into the hearts and measured the impulses of thousands of business men. The causes behind failures came to his attention time and again, until he could sort them into definite classes. This knowledge was the most valuable asset created by his remarkable experience. In the chapter which follows he has written it into a series of "stumbles", so that you, too, can analyze and answer the question: "how can men avoid failure?"

XII

MANAGEMENT BLUNDERS TO AVOID

By Harlow N. Higinbotham

President, The National Grocer Company
Former Credit Manager, Marshall Field and Company

JOHNSON was a responsible merchant in a Lake Superior town, and had been doing business with us for several years. One spring he made unusually heavy purchases of us. Business had been prosperous, the outlook was good. Before he left for home, I asked him how much insurance he carried.

"I carry three thousand dollars on my goods," he replied.

"That does not nearly cover your reduced stock as it now inventories," I warned him, "and you should at once take out enough new insurance to protect the stock you have just purchased."

This he promised to do, immediately he got home, but he failed to do it, through neglect and rush of work. The new goods arrived and were put on the shelves, and every day Johnson promised himself that he would attend to the insurance matter on the morrow. But he waited just a day too long; for one night the store caught fire, and in the morning Johnson found himself a ruined man.

He got his three thousand dollars of insurance money promptly; but our bill exceeded that amount, and if he paid us he would be without capital with which to begin business over again. He didn't "squeal." He did what

any honest man would have done—sent the money straight to us. There was no tear-shedding; just a manly, straightforward statement from him.

“It was altogether my fault,” he wrote, “that the stock was not fully protected, as it should have been. This insurance money is all I have, but it rightly belongs to you, and will almost cover your bills.”

HONESTY *deserves the sort of encouragement which kept for this firm, during perhaps a generation, a profitable account, because the credit man looked ahead.*

There was no hesitation in my reply. I returned the draft to him and wrote: “Take this money and put it in your bank. Get right to work and buy a new stock. I will pass your orders and will accept your notes in settlement of the entire account, arranging for payment on such time as will enable you to meet your obligations. Rent a new store, and see how quick you can open for business.”

I sized Johnson up right. He not only paid us in full, but became one of our very best customers. Today he is the most prosperous merchant in his territory.

You might call that wilful neglect. But the best business men stumble; however, the wise learn from these trying experiences, and they don't stumble the next time—at least, not for the same reason. But they all trip, some time or other, and, if you knew the secret history of a business, you would find, in almost every case, that financial ruin at least once stared the man in the face.

Once a business is started in the right location amidst favorable surroundings, a great danger comes with the attempt to do more business than the capital will stand. Usually, this is referred to as “insufficient capital.”

More often, it is not so much *lack* of capital as it is the folly of *going beyond* the capital. The merchant is unwilling to keep within his means, either in his business, or in his home—sometimes both. He has not the patience to wait until his customers force him to have more room. He adds unnecessary space, fills it with goods on credit, and reaches out for customers, seeking to drag them into his store and make them buy. This involves frantic advertising, and a splurge generally. All the while he is getting more and more into debt, and his end is not far to see.

I knew a merchant who enlarged his quarters and doubled up his stock simply because he was afraid a competitor might have a bigger store, with a larger assortment of goods to select from. His business didn't justify the expansion. He was doing well before he made the fatal blunder, but he couldn't bear to see a rival get ahead of him.

"I'm going to beat out Jones," he boasted to his friends; "he's making a great front, but I intend to go him one better. I don't propose to play second fiddle to anybody." So he stretched his credit, encountered prohibitive expenses, and, unable to meet his bills, quickly collapsed. He had failed to see the danger signal. Rivalry spelt ruin.

Another merchant unwisely branched out, not to keep pace with a competitor, but to steal a march on his rival. "I'm going to leave that fellow so far in the rear that he'll never catch up with me," he insisted. "When he wakes up I'll have this whole town corralled." It was the boaster who woke up—a rude awakening, for he found himself clerking in another man's store, his business gone and his capital dissipated.

Looking on the bright side, I know a third merchant

who faced the same temptation and faced it many times, but steadfastly refused to go heavily into debt. He let his competitors go along as they pleased, minding his own business, contenting himself with the care of the trade which he had, and getting as much more business as he could without overreaching his capital. After a while his store began to be crowded, and every day the crowd grew. He hired more clerks, and filled his shelves as full as he could, but still the people flocked to him. Finally, his quarters became hopelessly insufficient, and then, but not till then, did he rent more space. Afterward, he added to his store accommodations at frequent intervals.

EXPANSION *demands a foundation not unlike the forest of earth-covered pillars on which the modern building stands—every support must be absolutely sound.*

Necessity—and that alone—is the sole excuse for expansion. When a man's store is overcrowded, and customers are clamoring for more goods than can be sold conveniently, or for a greater variety than the store affords, then is the time to grow. All the great establishments have grown that way. If you study their evolution, you will find that they added to their quarters only after the stores were badly crowded, both behind the counters and in front of them. The managers knew that they could sell the new goods before they bought them; or before they signed a new lease, and contracted for additional expense.

Unwarranted expansion is a more dangerous policy to a manufacturing or producing concern than to a mercantile house. With the former, every dollar of increased business means, not merely the carrying of the equivalent in added stock, but more factory space, more

machinery, more raw materials at hand, an augmented sales force, additional administrative officers—with all the increased expenses which accompany this expansion. “Spreading out too thin,” is the way a banker expresses it. The banker will tell you, to use the homely figure, that a business is like a piece of bread and capital the butter spread upon it. With a fixed amount of butter, the bigger your bread slice, the thinner your spreading. And when the owner of the business—the man with the piece of bread, to carry out the figure—stumbles or falls, losing his grip on his prized possession, then the banker, to whom he has gone for assistance, may say rather cynically:

“When you drop your bread, you know it always falls on the buttered side.”

Three men started a furniture factory. One was a manufacturer, one had a knowledge of sound finance and good management, the third was a salesman. Their business was restricted, at the outset, to the manufacture of a certain specialty—a small patented accessory. The size of their factory was entirely warranted by their capital, and their capital further permitted them to do a moderate business with the dealer.

TWO of the partners wanted to expand; they overruled the financial man; they tied up the ready money—hard times followed unexpectedly, bringing failure.

They prospered. Once the business was in full swing, their books showed a real profit, month after month. Business seemed to come so easily, two of the partners began to advocate an extension to the manufacture of kindred lines. They argued that their small patented accessory had already made the concern a name. And they insisted that, with this reputation, they could make

their name a hall-mark for other lines of furniture. This was some years ago in the times of growing prosperity in all businesses.

The financial man of the firm, whose task it was to pay for the raw material, meet the pay roll and all incidental expenses, and make the outlay balance with the income, was not in favor of the change of policy. The financial man was overruled two to one by the manufacturer and the salesman. The expansion was determined upon. The ready money of the concern went into the building of an addition to the plant. New lines of manufactured goods meant bigger sales, of course, but this entailed greater credits outstanding. To carry these credits the financial man had to go to the bank for more money and he got it because times were good. A larger factory and office organization was necessary to carry on the expanded business, and expenses increased in every department. More and more the financial man had to scheme and turn and twist to meet the firm's current obligations.

Sometimes—but only in very prosperous times—a business is lucky. The owners who overstep the rules do not suffer the consequences. Every condition turns out favorably. But such good fortune does not come in the lean years. In the case I am citing, when money began to tighten in the year 1907, adverse conditions were encountered, and instead of having several years in which to pull out from under their unwarrantedly heavy load, the partners, within a few months after the expansion was inaugurated, faced the situation of having their loans called by the bank and all outside financial support withdrawn from them. Thus, they were thrown entirely upon their own resources to provide a greater capital needed to swing the bigger business. I need not

add that the concern went under.

Let us illustrate: Suppose a man has the stone to construct a building one hundred by one hundred, and sink the foundation so deep that no winds, no floods from abnormal rains, and no undermining from an adjacent new building of the skyscraper type or from a subway in the street could possibly harm the foundation. If he were to build according to this plan, his building would be secure—built upon a rock.

BUILDING *upon sand results in disaster eleven times out of a dozen—avoid risks by carefully considering all the contingencies which may face your proposition.*

But, knowing he could rent a building with twice the floor space, suppose he is unwise enough to argue: "Of course, I haven't stone to put into a heavier foundation, but then there may not be a hurricane for five years; we may have no torrents of rain, and why not trust to luck that there will be no neighboring skyscraper or subway. I'll take the chance. I'll construct my foundation only half as deep as I would if I had the necessary stone. And then I will rebuild the whole structure when I have put by enough money from the big rentals I am sure to get." Unwise is this man. If conditions, happily, proved altogether favorable, his building would stand, but if any one of four or five contingencies occur his building will come down—because it is built upon the sand.

Men should be tried out in the business, if possible, before they are given a partnership. Marshall Field had a policy of taking partners from his organization, but he never associated a man in the enterprise until he had been tested to a certainty. First, Mr. Field would study the man for a considerable period; then, if he con-

sidered him worthy, he would allow him, for a time, a percentage on the profits of his department, in addition to his salary; finally, if the man showed that this incentive moved him to the proper effort, Mr. Field would take him into the business.

Ordinarily, the way this was done was to charge him with the value of a certain interest or capital, and each year charge him with interest on this capital. Then, after drawing an agreed salary, (enough for his personal and household expenses) he was credited with the remainder of the earnings on his *pro rata* interest in the house. In time, the new partner's interest in the business was entirely paid for in this way. The harder the man worked, you see, the faster the debt was wiped out. There were always these steps in acquiring a partnership in the house of Field's, and there was never any danger, by this process, of getting the wrong partner.

It is a significant fact that Mr. Field never took a partner outside his organization. He permitted his men to invest their own money in the business, if they saw fit—to pay for the interest he had sold them, in whole or in part—but he did not want any outside capital to come in. He desired to know his partners absolutely. Even when he started in business for himself, his associates were men who had been in the same organization with which he was connected, and he knew them thoroughly.

I have observed that a great many men take partners on a plan radically different from this. Often, they take men from outside their organizations because of the need of additional capital: there are times, no doubt, when this cannot well be avoided. In doing so, however, business men have no opportunity to study their prospective associates with the critical method employed by

Mr. Field. I believe it is dangerous to follow any other plan than the one I have outlined.

One danger point in particular I would emphasize. It gets down to the very core of business principles. I refer to the attempt, too often made and frequently consummated, to sell goods to customers who will not benefit through the purchase. "Caveat emptor" —"let the buyer beware"—is not a part of wise merchandizing. Yet I have known a great number of business men whose chief idea was to sell, and if the purchaser did not get what was best for him, why that was his lookout. Traveling salesmen commonly fall into this great error; but the house itself should guard against it in every way, and train its salesmen to study the wants and needs of customers. To overload a customer, or to sell him the wrong goods, is unpardonable, and will surely bring a disastrous reaction. It is a serious, very serious, danger point when a house reaches the time where the mere making of the sale supplants the principle of actual service. No matter how valuable the goods may be of themselves, the transaction can only injure the seller if the commodity is unsuited to the needs of the customer.

BENEFIT *to the customer is the only object you should strive for—a satisfied customer and a fair profit go together and are never separated for long.*

I know of a recent case where a husband bought his wife a coat, paying one of the large department stores of Chicago three hundred dollars for the garment. It was a beautiful coat, well worth the money, but when the lady received it she was greatly dissatisfied. It was not what she herself would have selected, and she attempted to return it, and exchange the garment.

But the store had been specially anxious to dispose of

this particular coat, for it was not an article readily sold. Then, too, the season was well advanced—it was after the holidays—and the coat was a fur garment. To carry it over meant, probably, to lose it. So the lady was informed that her husband's unfortunate purchase could not be exchanged or returned.

During the succeeding days this dissatisfied customer told her story to her many friends, every one of whom sympathized with her and was made unhappy by her experience. She did not want that coat, she insisted; it was entirely unsuited to her taste and ideas. Everywhere she went she talked about the garment, and a shadow was cast upon the house which had sold it to her husband. The matter came to my attention, and although I had no interest, save a friendly one, in the circumstance, my training and experience rebelled against such a short-sighted policy as the store had shown. And I sat down and wrote to the house, in part, as follows:

“You might better take the coat and burn it, rather than force it on a customer whom it will not benefit.” My suggestion prevailed, and the coat was taken back.

This principle holds true throughout all merchandizing.

MISFITS *are to be pitied, in business and out of it—the more so because usually their plight could have been prevented by observing these simple precautions.*

I recall one instance where a merchant selected the wrong location—a very common mistake, yet one of the easiest to see in advance. If his credit man could see the error of judgment—and he did—why not the merchant? This is almost the first danger that confronts a man starting in business, and he faces it afterward, whenever

he seeks a new location. Because men do not analyze the proposition, they blunder.

In selecting a site or a town, the first consideration is markets. Some men do not weigh even this factor properly. Others take the market element into account, but go no further. For this reason they become misfits.

A man establishes himself amongst a race antagonistic to his own. He fails because he is a misfit.

Another man fails because he attempts to do business with a people whose religion differs radically from his own—a misfit.

A merchant, brought up in a certain environment, moves to a town where market requirements are decidedly different. It is almost a foregone conclusion that this misfit will not succeed. To him the reasons for his failure may appear trivial indeed—temperamental reasons, merely—but the attitude of the buying public is affected by subtle considerations.



WHEN order has supplanted careless, wasteful methods, and selling prices contain only a fair charge for materials, labor and expense, the public can not deny those who render this service proper compensation without injury to itself.

—E. W. McCullough

Secretary and General Manager,
National Implement and Vehicle Association

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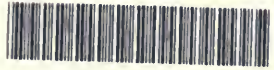
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